

RAYMOND MHLABA LOCAL MUNICIPALITY

EC 129



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2019

(These financial Statements have not been Audited)

RAYMOND MHLABA LOCAL MUNICIPALITY

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RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Raymond Mhlaba Local Municipality (EC129) performs the functions as set out in the Constitution.

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality. Operations in the Raymond Mhlaba Local Municipality commenced on 6 August 2016.

JURISDICTION

The Raymond Mhlaba Local Municipality includes the following areas:

Alice	Hogsback	Adelaide	Katberg
Middledrift	Seymour	Bedford	
Fort Beaufort	Balfour	Healdtown	

MEMBERS OF THE COUNCIL

Position	Councillor	Ward / Additional Portfolio
Mayor	Bandile Ketelo	PR Councillor
Speaker	Anele Ntsangani	PR Councillor
Councillor	Zukisa Kenneth Qaqawe	Ward 1
Councillor	M Matayo	Ward 2
Councillor	N Sango-Blackie	Ward 3
Councillor	Xolani Dyantyi	Ward 4
Councillor	Nandipha Colleen Guzi	Ward 5
Councillor	Singilizwe Alfred Nivi	Ward 6
Councillor	Luyolo Lennox Kiswa	Ward 7
Councillor	Elten Bantam	Ward 8
Councillor	Xola Bethwell Jezile	Ward 9
Councillor	Mlumgiseleli Lookington Ndongeni	Ward 10
Councillor	Luyanda Tyhobeka	Ward 11
Councillor	Selinah Mkwayimba	Ward 12

RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE COUNCIL (CONTINUED)

Position	Councillor	Ward / Additional Portfolio
Councillor	Zukiswa Mpendu	Ward 13
Councillor	Songezo Mashengqana	Ward 14
Councillor	Thozama Ngaye	Ward 15
Councillor	Xolile Caswell Badi	Ward 16
Councillor	Millicent Nonkoliseko Qawu	Ward 17
Councillor	Thobeka Priscilla Mjo	Ward 18
Councillor	Zamikhaya Lunga Papu	Ward 19
Councillor	Sinethemba Mjakuca	Ward 21
Councillor	Frans Christian	Ward 22
Councillor	Mhlobo Douglas Dywili	Ward 23
Chief Whip	Lindelwa Doris Penisi	Ward 20
Councillor	Bukelwa Sharon Tyhali	MPAC Chairperson
Councillor	(Vacant)	Portfolio Head Corporate Service
Councillor	Mandla Johnson Makeleni	Portfolio Head Finance
Councillor	Nomonde Mavis Geza	Portfolio Head Engineering
Councillor	Pasika Jack	Portfolio Head Community Service
Councillor	Sinovuyo Kley	Portfolio Head Sports, Arts and
Councillor	Portia Sabane	Portfolio Head LED
Councillor	Ernst Lombard	EXCO (PR Councillor)
Councillor	Siphiwo Mavuso	EXCO (PR Councillor)
Councillor	Zingiswa Modelia Rasmeni	PR Councillor
Councillor	Thembisa Patricia Dwanya	PR Councillor
Councillor	Vuyiswa Ndevu	PR Councillor
Councillor	Nombuyiselo Agreenette Metuse	PR Councillor
Councillor	Nobesutu Makhenyane	PR Councillor
Councillor	Nomthetheleli Vece	PR Councillor
Councillor	Kayaletu Baliso	PR Councillor
Councillor	Cecilia Anne Auld	PR Councillor
Councillor	Sivuyile Mahlengele	PR Councillor
Councillor	Kwanele Macakela	PR Councillor
Councillor	Buyiswa Eunice Mfondini	PR Councillor
Councillor	Malixole Ncume	PR Councillor
Councillor	Nonkazimlo Primrose Mlamla	PR Councillor

MUNICIPAL MANAGER

Ms Unathi Malinzi

CHIEF FINANCIAL OFFICER

Mrs Busisiwe Lubelwana

RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

REGISTERED OFFICE

8 Somerset Street, Fort Beaufort, 5720

POSTAL ADDRESS

PO Box 36, Fort Beaufort, 5720

AUDITORS

Office of the Auditor General (EC)

PRIMARY BANKER

ABSA Bank

PANEL OF ATTORNEYS

Dyushu Majebe Attorneys

Le Roux Inc Attorneys

Wikus van Rensburg Attorneys

Nevelle Borman and Botha Attorneys

Pumeza Bono Attorneys

Hanesworth and Nienaber Attorneys

Lionel Trichardt & Associates

Patel & Associates

RELEVANT LEGISLATION

Municipal Finance Management Act

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act

Municipal Systems Act

Municipal Planning and Performance Management Regulations

Water Services Act

Housing Act

Municipal Property Rates Act

Electricity Act

Skills Development Levies Act

Employment Equity Act

Unemployment Insurance Act

Basic Conditions of Employment Act

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

RAYMOND MHLABA LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these financial statements for the year ended 30 June 2019, which are set out on pages 1 to 111 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and I am satisfied that despite the current financial status, the Municipality can continue in operational existence for the foreseeable future.

Significant measures are currently being put in place to ensure improved revenue collection, revenue enhancement and finally cashflow.

The users should also take note of the financial sustainability matters addressed in note 60 of the financial statements.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Ms Unathi Malinzi
Municipal Manager

Date

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

		30 JUNE 2019 R (Actual)	30 JUNE 2018 R (Restated)
Notes			
ASSETS			
Current Assets		66 389 190	67 726 619
	2	10 041 076	17 240 525
	3	18 771 327	19 690 261
	4	22 542 234	17 040 953
	5	15 034 552	13 747 526
	6	-	7 355
	7	-	-
Non-Current Assets		695 890 363	624 527 333
	8	43 966 400	42 412 570
	9.1	637 145 096	568 085 709
	9.2	14 708 867	13 957 867
	10	70 000	70 000
	11	-	1 187
Total Assets		762 279 552	692 253 952
Current Liabilities		260 336 494	204 050 399
	12	2 350 043	278 796
	13	2 379 437	2 173 688
	14	227 503 790	176 710 689
	15	2 732 961	957 620
	16	14 764 387	14 217 838
	17	10 605 876	9 711 769
Non-Current Liabilities		68 563 256	63 587 540
	12	6 154 311	52 376
	18	30 276 257	34 083 744
	19	32 132 688	29 451 419
Total Liabilities		328 899 750	267 637 939
NET ASSETS		433 379 802	424 616 012
COMMUNITY WEALTH			
	20	433 379 802	424 616 012
		433 379 802	424 616 012

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019	30 JUNE 2018
		R	R
	Notes	(Actual)	(Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		350 923 697	338 763 683
Taxation Revenue		73 734 664	59 860 398
Property Rates	21	73 734 664	59 860 398
Transfer Revenue		265 716 547	273 020 085
Government Grants and Subsidies - Capital	22	95 181 788	68 209 325
Government Grants and Subsidies - Operating	22	170 534 759	193 449 761
Public Contributions and Donations	23	-	11 361 000
Other Revenue		11 472 486	5 883 200
Fines	24	82 650	89 050
Actuarial Gains	25	9 042 106	3 513 350
Fair Value Adjustments	26	2 347 730	2 280 800
REVENUE FROM EXCHANGE TRANSACTIONS		118 514 687	103 705 051
Operating Activities		118 514 687	103 705 051
Service Charges	27	80 293 124	73 128 838
Rental of Facilities and Equipment	28	334 952	594 786
Interest Earned - external investments	29	2 682 968	2 722 211
Interest Earned - outstanding debtors	30	23 887 256	21 437 205
Licences and Permits	31	4 391 828	3 516 632
Other Income	32	6 924 560	2 305 380
TOTAL REVENUE		469 438 384	442 468 735
EXPENDITURE			
Employee related costs	33	149 322 711	137 041 312
Remuneration of Councillors	34	17 728 829	16 573 828
Debt Impairment	35	61 836 651	27 528 554
Depreciation and Amortisation	36	27 950 712	28 830 574
Impairments	37	496 766	891 532
Actuarial Losses	38	-	12 727
Finance Charges	40	21 583 246	16 001 912
Bulk Purchases	41	59 305 079	63 870 551
Transfers and Grants	42	7 953 046	7 577 983
Other Expenditure	43	113 669 980	88 052 421
Loss on disposal of Assets	44	827 573	2 679 547
TOTAL EXPENDITURE		460 674 594	389 060 941
NET SURPLUS FOR THE YEAR		8 763 790	53 407 793

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2019

	Note	ACCUMULATED SURPLUS R	TOTAL R
Balance on 1 July 2017		368 370 890	368 370 890
Prior Period Adjustments	45.4	2 837 329	2 837 329
Restated Balance on 1 July 2017		371 208 218	371 208 218
Net Surplus for the year		53 407 793	53 407 793
Restated Balance on 30 June 2018		424 616 012	424 616 012
Net Surplus for the year		8 763 790	8 763 790
Balance on 30 June 2019		433 379 802	433 379 802

RAYMOND MHLABA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R (Actual)	30 JUNE 2018 R (Restated)
Notes			
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
		45 857 322	54 076 249
		66 614 250	65 443 025
		6 567 455	14 068 768
		170 534 759	195 583 705
		96 957 130	67 276 838
		6 881 329	5 959 217
Payments			
		(288 056 458)	(306 613 667)
		(16 663 845)	(11 660 212)
		(7 953 046)	(7 577 983)
NET CASH FROM OPERATING ACTIVITIES	46	80 738 896	76 555 940
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
		-	422 759
Payments			
		(86 310 402)	(78 920 257)
NET CASH USED INVESTING ACTIVITIES		(86 310 402)	(78 497 498)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
		205 749	174 369
Payments			
		(1 833 691)	(549 939)
NET CASH USED FINANCING ACTIVITIES		(1 627 942)	(375 570)
NET DECREASE IN CASH HELD		(7 199 448)	(2 317 128)
Cash and Cash Equivalents at the beginning of the year		17 240 525	19 557 653
Cash and Cash Equivalents at the end of the year		10 041 076	17 240 525
NET DECREASE IN CASH HELD		(7 199 448)	(2 317 128)

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)
ASSETS			
Current assets			
Cash	10 041 076	1 381 593	8 659 483
Consumer debtors	33 748 765	23 046 943	10 701 821
Other Debtors	22 599 349	18 639 201	3 960 148
Total current assets	66 389 190	43 067 738	23 321 452
Non current assets			
Investment property	43 966 400	44 912 570	(946 170)
Property, plant and equipment	651 853 963	600 772 439	51 081 524
Heritage Assets	70 000	70 000	-
Intangible Assets	-	1 187	(1 187)
Total non current assets	695 890 363	645 756 196	50 134 167
TOTAL ASSETS	762 279 552	688 823 933	73 455 619
LIABILITIES			
Current liabilities			
Borrowing	2 350 043	1 203 396	1 146 647
Consumer deposits	2 379 437	2 197 688	181 749
Trade and other payables	230 236 751	175 346 686	54 890 065
Provisions and Employee Benefits	25 370 263	27 429 607	(2 059 344)
Total current liabilities	260 336 494	206 177 377	54 159 118
Non current liabilities			
Borrowing	6 154 311	-	6 154 311
Provisions and Employee Benefits	62 408 945	66 035 163	(3 626 218)
Total non current liabilities	68 563 256	66 035 163	2 528 093
TOTAL LIABILITIES	328 899 750	272 212 540	56 687 210
NET ASSETS	433 379 802	416 611 393	16 768 409
COMMUNITY WEALTH			
Accumulated Surplus	433 379 802	416 611 393	16 768 409
TOTAL COMMUNITY WEALTH/EQUITY	433 379 802	416 611 393	16 768 409

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)
ASSETS			
Current assets			
Cash	1 800 000	(418 407)	1 381 593
Consumer debtors	112 751 986	(89 705 043)	23 046 943
Other Debtors	26 386 228	(7 747 027)	18 639 201
Inventory	550 000	(550 000)	-
Total current assets	141 488 214	(98 420 476)	43 067 738
Non current assets			
Investment property	49 737 270	(4 824 700)	44 912 570
Property, plant and equipment	607 573 647	(6 801 208)	600 772 439
Heritage Assets	-	70 000	70 000
Intangible Assets	12 893	(11 706)	1 187
Total non current assets	657 323 810	(11 567 615)	645 756 196
TOTAL ASSETS	798 812 024	(109 988 091)	688 823 934
LIABILITIES			
Current liabilities			
Borrowing	-	1 203 396	1 203 396
Consumer deposits	2 278 278	(80 590)	2 197 688
Trade and other payables	248 500 000	(73 153 314)	175 346 686
Provisions and Employee Benefits	12 479 050	14 950 556	27 429 607
Total current liabilities	263 257 329	(57 079 952)	206 177 377
Non current liabilities			
Borrowing	31 200 000	(31 200 000)	-
Provisions and Employee Benefits	48 030 156	18 005 007	66 035 163
Total non current liabilities	79 230 156	(13 194 993)	66 035 163
TOTAL LIABILITIES	342 487 485	(70 274 945)	272 212 540
NET ASSETS	456 324 539	(39 713 146)	416 611 393
COMMUNITY WEALTH			
Accumulated Surplus	456 324 539	(39 713 146)	416 611 393
TOTAL COMMUNITY WEALTH/EQUITY	456 324 539	(39 713 146)	416 611 393

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)
REVENUE BY SOURCE			
Property rates	73 734 664	76 208 713	(2 474 049)
Service charges	80 293 124	72 661 805	7 631 319
Rental of facilities and equipment	334 952	730 000	(395 048)
Interest earned - external investments	2 682 968	2 120 000	562 968
Interest earned - outstanding debtors	23 887 256	22 260 000	1 627 256
Fines	82 650	190 800	(108 150)
Licences and permits	4 391 828	4 028 000	363 828
Government Grants and Subsidies - Operating	170 534 759	167 591 919	2 942 840
Other revenue	18 314 396	21 064 241	(2 749 845)
TOTAL OPERATING REVENUE	374 256 596	366 855 478	7 401 118
EXPENDITURE BY TYPE			
Employee related costs	149 322 711	149 305 713	16 998
Remuneration of councillors	17 728 829	22 600 000	(4 871 171)
Debt impairment	61 836 651	75 500 000	(13 663 349)
Depreciation & asset impairment	28 447 479	63 500 000	(35 052 521)
Finance charges	21 583 246	16 500 000	5 083 246
Bulk purchases	59 305 079	55 000 000	4 305 079
Contracted services	-	795 000	(795 000)
Grants and subsidies paid	7 953 046	15 500 000	(7 546 954)
Other expenditure	113 669 980	78 306 976	35 363 004
Loss on disposal of Assets	827 573	-	827 573
TOTAL OPERATING EXPENDITURE	460 674 594	477 007 689	(16 333 096)
OPERATING DEFICIT FOR THE YEAR	(86 417 998)	(110 152 211)	23 734 214
Government Grants and Subsidies - Capital	95 181 788	102 462 000	(7 280 212)
NET SURPLUS/(DEFICIT) FOR THE YEAR	8 763 790	(7 690 211)	16 454 001

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)
REVENUE BY SOURCE			
Property rates	76 208 713	-	76 208 713
Service charges	81 250 548	(8 588 742)	72 661 805
Rental of facilities and equipment	730 000	-	730 000
Interest earned - external investments	2 120 000	-	2 120 000
Interest earned - outstanding debtors	22 260 000	-	22 260 000
Fines	190 800	-	190 800
Licences and permits	4 028 000	-	4 028 000
Government Grants and Subsidies -			
Operating	168 633 600	(1 041 681)	167 591 919
Other revenue	5 139 940	15 924 301	21 064 241
TOTAL OPERATING REVENUE	360 561 601	6 293 878	366 855 478
EXPENDITURE BY TYPE			
Employee related costs	149 305 713	-	149 305 713
Remuneration of councillors	16 448 162	6 151 838	22 600 000
Debt impairment	22 222 733	53 277 267	75 500 000
Depreciation & asset impairment	40 810 000	22 690 000	63 500 000
Finance charges	2 809 000	13 691 000	16 500 000
Bulk purchases	55 000 000	-	55 000 000
Contracted services	35 529 800	(34 734 800)	795 000
Grants and subsidies paid	15 500 000	-	15 500 000
Other expenditure	42 247 176	36 059 800	78 306 976
TOTAL OPERATING EXPENDITURE	379 872 585	97 135 105	477 007 689
OPERATING DEFICIT FOR THE YEAR	(19 310 984)	(90 841 227)	(110 152 211)
Government Grants and Subsidies -			
Capital	34 637 400	67 824 600	102 462 000
NET SURPLUS/(DEFICIT) FOR THE YEAR	15 326 416	(23 016 627)	(7 690 211)

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	45 857 322	57 320 824	(11 463 502)
Service Charges	66 614 250	65 369 607	1 244 643
Other Income	6 567 455	26 013 041	(19 445 586)
Government - Operating	170 534 759	165 309 300	5 225 459
Government - Capital	96 957 130	102 462 000	(5 504 870)
Interest Income	6 881 329	6 316 770	564 559
Payments			
Suppliers and Employees	(288 056 458)	(305 182 689)	17 126 231
Finance Charges	(16 663 845)	(13 500 000)	(3 163 845)
Transfers and Grants	(7 953 046)	(14 526 783)	6 573 738
NET CASH FROM OPERATING ACTIVITIES	80 738 896	89 582 069	(8 843 173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease in Non-Current Debtors	-	-	(150 000)
Payments			
Capital assets	(86 310 402)	(105 632 000)	19 321 598
NET CASH USED IN INVESTING ACTIVITIES	(86 310 402)	(105 632 000)	19 171 598
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in consumer deposits	205 749	191 000	14 749
Payments			
Repayment of borrowing	(1 833 691)	-	(1 833 691)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 627 942)	191 000	(1 818 942)
NET DECREASE IN CASH HELD	(7 199 448)	(15 858 931)	8 509 483
Cash and Cash Equivalents at beginning of the Year	17 240 525	17 240 525	-
Cash and Cash Equivalents at the end of the Year	10 041 076	1 381 593	8 659 483

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	43 863 652	13 457 172	57 320 824
Service Charges	50 562 874	14 806 732	65 369 607
Other Income	10 088 740	15 924 301	26 013 041
Government - Operating	168 633 600	(3 324 300)	165 309 300
Government - Capital	34 637 400	67 824 600	102 462 000
Interest Income	3 620 000	2 696 770	6 316 770
Payments			
Suppliers and Employees	(298 530 851)	(6 651 838)	(305 182 689)
Finance charges	(2 809 000)	(10 691 000)	(13 500 000)
Transfers and Grants	(15 500 000)	973 217	(14 526 783)
NET CASH FROM/(USED) OPERATING ACTIVITIES	(5 433 585)	95 015 654	89 582 069
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease in Non-Current Debtors	(72 000 000)	72 000 000	-
Payments			
Capital assets	(32 713 100)	(72 918 900)	(105 632 000)
NET CASH USED IN INVESTING ACTIVITIES	(104 713 100)	(918 900)	(105 632 000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(decrease) in consumer deposits	-	191 000	191 000
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	191 000	191 000
NET DECREASE IN CASH HELD	(110 146 685)	94 287 754	(15 858 931)
Cash and Cash Equivalents at beginning of the Year	2 100 000	15 140 525	17 240 525
Cash and Cash Equivalents at the end of the Year	(108 046 685)	109 428 278	1 381 593

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Actual and budgeted figures are presented based on the nature of the revenue or expense, unless stated otherwise.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Assets where the acquisition cost of an asset could not be determined.

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements. This transitional provision came to an end on 30 June 2019.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.05 COMPARATIVE INFORMATION (CONTINUED)

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the actual amounts and approved budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosures	1 April 2019
GRAP 108	Statutory Receivables	1 April 2019

The effect of the above-mentioned Standards of GRAP which were early adopted is considered insignificant. Accounting policies for these Standards of GRAP were already formulated in the prior year's financial statements. The only effect is additional disclosure requirements.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (2018)	Presentation of Financial Statements	1 April 2020
GRAP 21 (2018)	Impairment of Non-cash-generating Assets	1 April 2020
GRAP 26 (2018)	Impairment of Cash-generating Assets	1 April 2020
GRAP 104 (2018)	Financial Instruments	1 April 2020

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which was issued but is not yet effective:

1.08.1.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.1.2 GRAP 32 - Service Concession Arrangements: Grantor (effective 1 April 2019)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.1.3 GRAP 34 - Separate Financial Statements (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.1.4 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality's treatment is already aligned to the standard.

1.08.1.5 GRAP 36 - Investments in Associates and Joint Ventures (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

1.08.1.6 GRAP 37 - Joint Arrangements (effective 1 April 2020)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

1.08.1.7 GRAP 38 - Disclosure of Interests in Other Entities (effective 1 April 2020)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.08.1.8 GRAP 109 - Accounting by Principles and Agents (effective 1 April 2019)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.1.9 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.1.10 iGRAP 1 (Revised) - Applying The Probability Test On Initial Recognition Of Revenue (effective 1 April 2020)

This Interpretation addresses the manner in which an entity applies the probability test on initial recognition of:

- (a) exchange revenue in accordance with GRAP 9; and
- (b) non-exchange revenue in accordance with GRAP 23.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

1.08.1.11 iGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.1.12 iGRAP 18 - Recognition and Derecognition of Land (effective 1 April 2019)

This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

1.08.1.13 iGRAP 19 - Liabilities to Pay Levies (effective 1 April 2019)

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

1.08.1.14 iGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)

This Interpretation clarifies the accounting for adjustments to:

- (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
- (b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

All Standards of GRAP currently issued, have effective dates.

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.09 INVESTMENT PROPERTY (CONTINUED)

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.09.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost is its fair value at the date of change in use.

If an owner-occupied property becomes an investment property that will be carried at fair value, any differences between the carrying amount of the property and its fair value is treated in the same way as a revaluation in accordance with the Standard of GRAP on Property, Plant and Equipment.

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property and its previous carrying amount is recognised in the Statement of Financial Performance.

To ensure consistency between accounting policies applied by the former municipalities (before merger date), all investment properties will be subsequently measured at fair value. Nxuba Local Municipality previously accounted for investment properties on the cost model.

1.09.3 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.09.4 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.09 INVESTMENT PROPERTY (CONTINUED)

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Land and Buildings	
Land	Indefinite
Buildings	17 - 100
Infrastructure	
Roads and Stormwater	7 - 100
Electricity	11 - 122
Solid Waste	8 - 72
Community Assets	
Park Facilities	24 - 125
Lease Assets	
Computer Equipment	3 - 5
Plant and Machinery	3

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Community Assets

Park Facilities

24 - 125

Lease Assets

Computer Equipment

2 - 5

Plant and Machinery

3

Motor Vehicles

3

Other Assets

Plant and Machinery

5 - 20

Motor Vehicles

5 - 16

Computer Equipment

4 - 15

Furniture and Office Equipment

5 - 16

Capitalised Restoration Cost

Landfill sites

10 - 92

1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.11 INTANGIBLE ASSETS

1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.11.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.11 INTANGIBLE ASSETS (CONTINUED)

1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	3

1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.12 HERITAGE ASSETS

1.12.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

Where a heritage asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.12.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.12.3 Depreciation

Heritage assets are not depreciated.

1.12.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.12 HERITAGE ASSETS (CONTINUED)

1.12.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.13 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

1.13.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.13.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

1.13.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 INVENTORIES

1.14.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.14 INVENTORIES (CONTINUED)

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition.

1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.15 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

1.15.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.15.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.15.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.15 EMPLOYEE BENEFITS (CONTINUED)

1.15.2 Long-term Benefits

1.15.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Short-term Benefits

1.15.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.15.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.16 PROVISIONS (CONTINUED)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.17 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.17.1 Municipality as Lessee

1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.17 LEASES (CONTINUED)

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.17.2 Municipality as Lessor

1.17.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

1.17.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.18 FINANCIAL INSTRUMENTS

1.18.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.18.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.18.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

1.18.4 **Derecognition of financial instruments**

1.18.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.18.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.18.5 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.19 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.19.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.19.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.19.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.19.3 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.22 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.25 **CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS**

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 **REVENUE**

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.26.1 **Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.26.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.26 REVENUE (CONTINUED)

1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

1.26.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.26.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.26 REVENUE (CONTINUED)

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.26.1.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.26.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

1.26.2.2 Investment income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.26.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.26 REVENUE (CONTINUED)

1.26.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.26.2.6 *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.32 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.33 EVENTS AFTER REPORTING DATE (CONTINUED)

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.34 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.35.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.35.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.35.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.35.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.35.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.35.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.35.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.35.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.36 MERGERS

A merger is the establishment of a new combined Municipality in which none of the former Municipalities obtain control over any other and no acquirer can be identified.

As of the merger date, the Municipality recognises all the assets acquired and liabilities assumed from the former municipalities. The assets acquired and liabilities assumed are measured at their carrying amounts. The difference between the carrying amounts of the assets acquired and the liabilities assumed, is recognised in accumulated surplus.

Any adjustments made to the carrying amounts as a result of errors in the former municipalities' records, are also recognised in accumulated surplus.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.36 MERGERS (CONTINUED)

Where the former municipalities applied a different basis of accounting, the new combined Municipality recognises the assets acquired and the liabilities assumed of the former municipalities on the merger date at their existing carrying amounts and subsequently adjust it only as a result of conforming with the combined Municipality's accounting policies. Where management is of the opinion that the conforming of accounting policies as on merger date, rather than subsequently to merger date, will be more beneficial to the users of the financial statements, it will state this fact and disclose the items effected as on merger date.

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements.

Assets required and liabilities assumed in the merger are subsequently measured in accordance with the applicable Standards of GRAP applied by the Municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
2 CASH AND CASH EQUIVALENTS		
Bank Accounts	10 041 076	17 235 743
Call Deposits	-	4 781
Total	10 041 076	17 240 525
Due to the short term nature of cash deposits, all balances included above is in line with their fair value		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	2 732 961	957 620
Working Capital Requirements	7 308 115	16 282 905
Total	10 041 076	17 240 525
Refer to notes 15 and 22 for more detail relating to unspent conditional grants.		
Bank Accounts		
ABSA Bank Ltd - Current Account - 40 8171 6725		
Bank Statement Balance - Opening Balance	4 032 796	7 643 830
Bank Statement Balance - Closing Balance	3 870 090	4 032 796
Cashbook Balance - Opening Balance	4 019 907	6 776 934
Cashbook Balance - Closing Balance	3 818 928	4 019 907
ABSA Bank Ltd - Current Account - 23 6000 0012		
Bank Statement Balance - Opening Balance	(7 918)	3 379 467
Bank Statement Balance - Closing Balance	57 886	(7 918)
Cashbook Balance - Opening Balance	(7 918)	3 379 466
Cashbook Balance - Closing Balance	57 885	(7 918)
First National Bank Ltd - Current Account - 620 2619 2336		
Bank Statement Balance - Opening Balance	11 294 664	4 830 350
Bank Statement Balance - Closing Balance	3 685 191	11 294 664
Cashbook Balance - Opening Balance	11 294 664	4 830 350
Cashbook Balance - Closing Balance	3 685 191	11 294 664
First National Bank Ltd - Current Account - 516 4001 1783		
Bank Statement Balance - Opening Balance	1 929 091	2 500 900
Bank Statement Balance - Closing Balance	2 479 072	1 929 091
Cashbook Balance - Opening Balance	1 929 091	2 529 636
Cashbook Balance - Closing Balance	2 479 072	1 929 091

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019	30 JUNE 2018
	R	R
2 CASH AND CASH EQUIVALENTS (CONTINUED)		
There were no overdraft facility at the period ending 30 June 2018 and 30 June 2019.		
Call Deposits		
Call Deposits consist out of the following account:		
ABSA Bank Ltd - Call Account - 9167 907 774	-	982
ABSA Bank Ltd - Call Account - 9103 862 998	-	1 967
ABSA Bank Ltd - Call Account - 9116 410 431	-	1 139
ABSA Bank Ltd - Call Account - 9081 226 121	-	693
Total	-	4 781

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2019

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	140 651 675	125 778 068	14 873 607
Electricity	30 726 477	22 874 997	7 851 480
Refuse	93 299 822	87 943 902	5 355 920
Other Receivables	16 625 376	14 959 169	1 666 207
Other Receivables	3 897 720	-	3 897 720
Sundry Receivables	340 159	-	340 159
Eskom Deposits	3 557 561	-	3 557 561
Total	144 549 395	125 778 068	18 771 327

30 JUNE 2018

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	116 800 163	101 355 647	15 444 515
Electricity	25 330 227	17 568 728	7 761 499
Refuse	78 039 438	72 318 365	5 721 073
Other Receivables	13 430 498	11 468 554	1 961 944
Other Receivables	4 245 746	-	4 245 746
Sundry Receivables	696 144	-	696 144
Eskom Deposits	3 549 601	-	3 549 601
Total	121 045 908	101 355 647	19 690 261

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Balance Previously Reported	120 623 149	101 355 647	19 267 502
Prior Period Adjustment - Refer to note 45.1	422 759	-	422 759
Restated Balance on 30 June 2018	121 045 908	101 355 647	19 690 261

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	30 JUNE 2019 R	30 JUNE 2018 R
Ageing of service receivables:		
Electricity Ageing		
Current (0 - 30 days)	3 664 253	2 775 871
Past Due (31 - 60 Days)	1 713 798	1 860 876
Past Due (61 - 90 Days)	1 168 015	1 406 925
Past Due (90 Days +)	24 180 410	19 286 555
Total	30 726 477	25 330 227
Refuse Ageing		
Current (0 - 30 days)	1 680 743	1 541 042
Past Due (31 - 60 Days)	1 549 118	1 434 866
Past Due (61 - 90 Days)	1 516 923	1 403 323
Past Due (90 Days +)	88 553 038	73 660 207
Total	93 299 822	78 039 438
Other Services Ageing		
Current (0 - 30 days)	740 594	606 812
Past Due (31 - 60 Days)	426 432	807 930
Past Due (61 - 90 Days)	340 518	341 960
Past Due (90 Days +)	15 117 832	11 673 795
Total	16 625 376	13 430 498

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Ageing per Customer Classification - 30 June 2019

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	1 814 902	2 798 650	1 472 039
Past Due (31 - 60 Days)	1 654 300	889 422	1 145 626
Past Due (61 - 90 Days)	1 623 856	673 473	728 127
Past Due (90 Days +)	102 174 676	17 663 702	8 012 903
Sub-Total	107 267 733	22 025 246	11 358 695
Less Allowance for Impairment	(101 664 128)	(17 535 642)	(6 578 298)
Total	5 603 606	4 489 604	4 780 397

Ageing per Customer Classification - 30 June 2018

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	1 705 481	2 018 316	1 199 928
Past Due (31 - 60 Days)	1 619 140	1 416 646	1 067 886
Past Due (61 - 90 Days)	1 524 000	593 038	1 035 170
Past Due (90 Days +)	85 807 485	11 996 650	6 816 422
Sub-Total	90 656 106	16 024 650	10 119 406
Less Allowance for Impairment	(84 455 806)	(12 212 759)	(4 687 082)
Total	6 200 300	3 811 891	5 432 324

30 JUNE 2019

R

30 JUNE 2018

R

Reconciliation of Allowance for impairment

Opening Balance	101 355 647	87 200 633
Contribution to the provision	24 422 421	14 155 014
Electricity	5 306 269	(698 054)
Refuse	15 625 537	13 427 404
Other Receivables	3 490 615	1 425 665
Balance at the end of the year	125 778 068	101 355 647

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2019

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	225 395 117	206 519 959	18 875 158
Rates	225 395 117	206 519 959	18 875 158
Other Receivables	3 667 077	-	3 667 077
Accrued Interest	1 700	-	1 700
Sundry Receivables	3 665 377	-	3 665 377
Total	229 062 193	206 519 959	22 542 234

30 JUNE 2018

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	184 806 640	169 105 729	15 700 911
Rates	184 806 640	169 105 729	15 700 911
Other Receivables	1 340 042	-	1 340 042
Accrued Interest	1 700	-	1 700
Sundry Receivables	1 338 342	-	1 338 342
Total	186 146 682	169 105 729	17 040 953

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of service receivables:

Rates Ageing

Current (0 - 30 days)	4 729 598	4 606 518
Past Due (31 - 60 Days)	4 438 188	2 698 989
Past Due (61 - 90 Days)	4 304 836	2 533 962
Past Due (90 Days +)	211 922 495	174 967 171
Total	225 395 117	184 806 640

Ageing per Customer Classification - 30 June 2019

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	2 817 457	387 759	1 524 383
Past Due (31 - 60 Days)	2 660 389	233 431	1 544 367
Past Due (61 - 90 Days)	2 599 613	169 420	1 535 803
Past Due (90 Days +)	111 238 301	9 326 514	91 357 681
Sub-Total	119 315 759	10 117 125	95 962 233
Less Allowance for Impairment	(110 344 915)	(9 388 987)	(86 786 057)
Total	8 970 845	728 138	9 176 176

Ageing per Customer Classification - 30 June 2018

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	2 115 340	382 218	2 108 961
Past Due (31 - 60 Days)	1 882 786	205 378	610 825
Past Due (61 - 90 Days)	1 760 707	163 165	610 090
Past Due (90 Days +)	97 021 647	8 659 410	69 286 113
Sub-Total	102 780 480	9 410 171	72 615 989
Less Allowance for Impairment	(93 075 946)	(8 616 218)	(67 413 565)
Total	9 704 534	793 953	5 202 424

30 JUNE 2019

R

30 JUNE 2018

R

Reconciliation of Allowance for impairment

Opening Balance	169 105 729	155 732 189
Contribution to the provision	37 414 230	13 373 540
Bad Debts Written off	-	-
Balance at the end of the year	206 519 959	169 105 729

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

	30 JUNE 2019 R	30 JUNE 2018 R
5 VAT RECEIVABLE		
Vat Receivable	15 034 552	13 747 526
Balance Previously Reported		13 003 915
Prior Period Adjustment - Refer to note 45.2		743 611
Total	15 034 552	13 747 526

VAT is accounted for on the payment/cash basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

6 OPERATING LEASES

6.1 OPERATING LEASE ASSETS

Operating Lease Assets	-	7 355
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The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.

Opening Balance	7 355	14 360
Contribution during the year	(7 355)	(7 005)
Balance at the end of the year	-	7 355

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	-	44 298
	-	44 298

The lease payments are in respect of properties being lease out over a period ranging up to 2019.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

6 OPERATING LEASES (CONTINUED)

As GRAP 13 only requires the disclosure for contracts with defined lease payments and lease terms.

All rental income generated on properties are included in Rental of Facilities and Equipment.

	30 JUNE 2019 R	30 JUNE 2018 R
7 INVENTORY		
The municipality held no inventory on 30 June 2018 and 30 June 2019	-	-
Inventory expensed during the year	-	561 822

8 INVESTMENT PROPERTY

Investment Property - Carrying Value

43 966 400	42 412 570
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The movement in investment properties is reconciled as follows:

Opening Fair Value	42 412 570	42 700 770
Fair Value Adjustment	2 347 730	2 280 800
Disposals	(793 900)	(2 569 000)
Closing Carrying Value	43 966 400	42 412 570
Fair Value	43 966 400	42 412 570

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

9.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2019	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Carrying Value R
Land and Buildings	107 518 090	-	(4 486)	-	107 513 605	5 308 401	1 443 553	-	-	6 751 954	100 761 650
Land	44 085 911	-	(4 486)	-	44 081 425	-	-	-	-	-	44 081 425
Buildings	63 432 179	-	-	-	63 432 179	5 308 401	1 443 553	-	-	6 751 954	56 680 225
Infrastructure	466 711 104	-	-	-	466 711 104	278 379 548	18 383 005	-	-	296 762 553	169 948 551
Roads and Stormwater	370 359 026	-	-	-	370 359 026	235 965 659	15 205 155	-	-	251 170 814	119 188 211
Electricity	94 044 079	-	-	-	94 044 079	40 967 312	2 979 877	-	-	43 947 189	50 096 890
Solid Waste	2 307 999	-	-	-	2 307 999	1 446 577	197 973	-	-	1 644 550	663 449
Community Assets	94 740 784	-	-	4 023 858	98 764 642	15 608 559	3 176 276	-	-	18 784 836	79 979 807
Cemetery	4 979 289	-	-	-	4 979 289	1 025 218	131 374	-	-	1 156 592	3 822 697
Recreation Grounds	13 592 193	-	-	-	13 592 193	4 219 882	578 498	-	-	4 798 380	8 793 814
Community Halls and Centres	76 169 303	-	-	4 023 858	80 193 161	10 363 459	2 466 405	-	-	12 829 865	67 363 296
Lease Assets	26 663 468	10 006 873	(1 995 331)	(23 044 984)	11 630 026	20 608 754	2 134 452	(1 995 331)	(17 291 881)	3 455 995	8 174 031
Computer Equipment	3 618 484	2 441 705	(1 995 331)	-	4 064 858	3 316 873	1 267 155	(1 995 331)	-	2 588 698	1 476 160
Plant and Machinery	23 044 984	5 324 886	-	(23 044 984)	5 324 886	17 291 881	649 060	-	(17 291 881)	649 060	4 675 826
Motor Vehicles	-	2 240 282	-	-	2 240 282	-	218 236	-	-	218 236	2 022 045
Other Assets	31 988 845	589 528	(471 871)	23 044 984	55 151 486	15 381 856	2 381 751	(442 684)	17 291 881	34 612 805	20 538 681
Plant and Machinery	19 525 313	-	-	23 044 984	42 570 297	8 590 013	1 490 385	-	17 291 881	27 372 279	15 198 018
Motor Vehicles	5 919 553	-	-	-	5 919 553	2 106 127	417 304	-	-	2 523 431	3 396 122
Computer Equipment	2 250 322	146 647	(450 721)	-	1 946 248	1 825 303	123 871	(423 079)	-	1 526 094	420 154
Furniture and Office Equipment	4 293 657	442 881	(21 150)	-	4 715 388	2 860 413	350 192	(19 604)	-	3 191 000	1 524 387
Work in Progress	175 750 536	86 015 698	-	(4 023 858)	257 742 376	-	-	-	-	-	257 742 376
Total	903 372 827	96 612 099	(2 471 687)	-	997 513 239	335 287 119	27 519 038	(2 438 014)	-	360 368 143	637 145 096

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

9.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2018	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Carrying Value R
Land and Buildings	73 690 439	-	-	33 827 651	107 518 090	4 541 400	767 000	-	-	5 308 401	102 209 689
Land	44 085 911	-	-	-	44 085 911	-	-	-	-	-	44 085 911
Buildings	29 604 528	-	-	33 827 651	63 432 179	4 541 400	767 000	-	-	5 308 401	58 123 779
Infrastructure	466 711 104	-	-	-	466 711 104	259 752 629	18 626 920	-	-	278 379 548	188 331 556
Roads and Stormwater	370 359 026	-	-	-	370 359 026	220 516 611	15 449 048	-	-	235 965 659	134 393 366
Electricity	94 044 079	-	-	-	94 044 079	37 987 414	2 979 898	-	-	40 967 312	53 076 767
Solid Waste	2 307 999	-	-	-	2 307 999	1 248 604	197 973	-	-	1 446 577	861 422
Community Assets	58 862 602	-	-	35 878 182	94 740 784	13 779 876	1 828 683	-	-	15 608 559	79 132 225
Cemetery	4 979 289	-	-	-	4 979 289	893 843	131 375	-	-	1 025 218	3 954 071
Recreation Grounds	10 095 649	-	-	3 496 544	13 592 193	3 816 206	403 676	-	-	4 219 882	9 372 311
Community Halls and Centres	43 787 665	-	-	32 381 638	76 169 303	9 069 826	1 293 633	-	-	10 363 459	65 805 843
Lease Assets	26 663 468	-	-	-	26 663 468	16 115 382	4 493 373	-	-	20 608 754	6 054 713
Computer Equipment	3 618 484	-	-	-	3 618 484	2 788 307	528 566	-	-	3 316 873	301 610
Plant and Machinery	23 044 984	-	-	-	23 044 984	13 327 075	3 964 806	-	-	17 291 881	5 753 103
Other Assets	32 562 961	1 416 039	(1 990 154)	-	31 988 845	14 547 148	2 291 557	(1 456 848)	-	15 381 856	16 606 988
Plant and Machinery	20 229 125	109 900	(813 712)	-	19 525 313	8 046 325	1 065 496	(521 808)	-	8 590 013	10 935 300
Motor Vehicles	6 576 758	-	(657 205)	-	5 919 553	1 992 105	529 519	(415 496)	-	2 106 127	3 813 426
Computer Equipment	2 490 892	181 786	(422 356)	-	2 250 322	2 021 398	239 273	(435 368)	-	1 825 303	425 019
Furniture and Office Equipment	3 266 185	1 124 353	(96 881)	-	4 293 657	2 487 320	457 269	(84 176)	-	2 860 413	1 433 244
Work in Progress	167 475 537	77 980 832	-	(69 705 833)	175 750 536	-	-	-	-	-	175 750 536
Total	825 966 111	79 396 871	(1 990 154)	-	903 372 827	308 736 434	28 007 532	(1 456 848)	-	335 287 118	568 085 709
Balance previously Reported	824 280 332	74 540 190	(1 652 182)	-	897 168 339	310 033 699	27 856 908	(1 246 840)	-	336 643 768	560 524 572
Prior Period Adjustment - Refer to note 45.3	1 685 779	4 856 681	(337 972)	-	6 204 488	(1 297 265)	150 624	(210 008)	-	(1 356 649)	7 561 137
Restated on 30 June 2017	825 966 111	79 396 871	(1 990 154)	-	903 372 827	308 736 434	28 007 532	(1 456 848)	-	335 287 118	568 085 709

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease agreement as disclosed in note 12 to the financial statements

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
9.1 PROPERTY PLANT AND EQUIPMENT		
Transitional Provision - GRAP 107		
<p>The municipality utilises its own plant to construct infrastructure assets (Roads). Previously the costs, which includes depreciation and fuel charges, relating to the plant being utilised during construction were not capitalised in line with the requirements of GRAP 17.</p> <p>The municipality opted to take advantage of the transitional provision contained in GRAP 107 relating to the measurement of Property, Plant and Equipment (Self constructed assets). The municipality were granted a 2 year measurement period since merger date to ensure compliance with the relevant GRAP standards.</p> <p>The transitional provision lapsed on 30 June 2019 and the following adjustment were accounted for in the comparative years to ensure full compliance with GRAP 17:</p>		
Effect on PPE Cost up to 30 June 2017		1 127 641
Effect on PPE Cost during 2017/2018		1 046 184
Total Effect on PPE Cost		2 173 825
Effect on Carrying Value of PPE		2 173 825
<p>Also refer to note 45.3 for more detail relating to the retrospective adjustments made</p>		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
9.2 PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST		
Capitalised Restoration Cost - Carrying Value	14 708 867	13 957 867
The movement in capitalised restoration cost is reconciled as follows:		
Opening Balance	13 957 867	14 246 847
Additions	1 973 077	1 959 298
Disposals	-	(68 797)
Depreciation for the year	(725 311)	(1 287 949)
Impairments for the year	(496 766)	(891 532)
Closing Carrying Value	14 708 867	13 957 867
Cost	28 596 569	26 623 493
Accumulated Depreciation	(12 499 405)	(11 774 094)
Accumulated Impairment	(1 388 298)	(891 532)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Raymond Mhlaba Local Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

The impairment recognised in the current year relates to the Adelaide landfill site that reached the end of its useful life on 30 June 2018.

Refer to note 19 for more detail relating to this asset financed by way of a provision

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

10

		30 JUNE 2019	30 JUNE 2018																																																																																																																								
		R	R																																																																																																																								
HERITAGE ASSETS																																																																																																																											
Heritage Assets - Carrying Value		70 000	70 000																																																																																																																								
<p>The municipality holds heritage assets, but was unable to obtain fair values of such assets, as there are no active market for these assets. These assets are disclosed herein in terms of GRAP 103.17 which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.</p> <p>The following Heritage Assets were identified:</p> <table><tr><td>Dr John Knox Bokwe Graves</td><td>Alice</td><td>-</td><td>-</td></tr><tr><td>Fort Woburn</td><td>Alice</td><td>-</td><td>-</td></tr><tr><td>Nkonkobe Garden of Remembrance</td><td>Alice</td><td>-</td><td>-</td></tr><tr><td>Fort Armstrong</td><td>Balfour</td><td>-</td><td>-</td></tr><tr><td>Maqoma Great Place</td><td>Balfour</td><td>-</td><td>-</td></tr><tr><td>Ntsikana Grave</td><td>Balfour</td><td>-</td><td>-</td></tr><tr><td>Oliver Shreiner House</td><td>Balfour</td><td>-</td><td>-</td></tr><tr><td>Fort Beaufort Historical Museum</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Fort Fordyce Fallen Site</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Infantry Barracks</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Lake's Man Fort</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Lord Charles Somerset House</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Mansonic Lodge</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Martello Tower</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Mater Hill</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Military Museum</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Military Hospital</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Officers Quarters</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>The Fort</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>The Officers Mess</td><td>Fort Beaufort</td><td>-</td><td>-</td></tr><tr><td>Ecology Shrine</td><td>Hogsback</td><td>-</td><td>-</td></tr><tr><td>Fort Michel</td><td>Seymour</td><td>-</td><td>-</td></tr><tr><td>Eland Post</td><td>Seymour</td><td>-</td><td>-</td></tr><tr><td>Christmas Day Massacre Memorial</td><td>Woburn Village</td><td>-</td><td>-</td></tr><tr><td>Tyali's Great Place</td><td>Woburn Village</td><td>-</td><td>-</td></tr><tr><td>The Presidency Sundial</td><td>Woburn Village</td><td>-</td><td>-</td></tr><tr><td>Nontetha's Grave</td><td>Middledrift</td><td>-</td><td>-</td></tr><tr><td>Monument</td><td>Adelaide</td><td>35 000</td><td>35 000</td></tr><tr><td>Monument</td><td>Bedford</td><td>35 000</td><td>35 000</td></tr><tr><td colspan="2">Total</td><td>70 000</td><td>70 000</td></tr></table>				Dr John Knox Bokwe Graves	Alice	-	-	Fort Woburn	Alice	-	-	Nkonkobe Garden of Remembrance	Alice	-	-	Fort Armstrong	Balfour	-	-	Maqoma Great Place	Balfour	-	-	Ntsikana Grave	Balfour	-	-	Oliver Shreiner House	Balfour	-	-	Fort Beaufort Historical Museum	Fort Beaufort	-	-	Fort Fordyce Fallen Site	Fort Beaufort	-	-	Infantry Barracks	Fort Beaufort	-	-	Lake's Man Fort	Fort Beaufort	-	-	Lord Charles Somerset House	Fort Beaufort	-	-	Mansonic Lodge	Fort Beaufort	-	-	Martello Tower	Fort Beaufort	-	-	Mater Hill	Fort Beaufort	-	-	Military Museum	Fort Beaufort	-	-	Military Hospital	Fort Beaufort	-	-	Officers Quarters	Fort Beaufort	-	-	The Fort	Fort Beaufort	-	-	The Officers Mess	Fort Beaufort	-	-	Ecology Shrine	Hogsback	-	-	Fort Michel	Seymour	-	-	Eland Post	Seymour	-	-	Christmas Day Massacre Memorial	Woburn Village	-	-	Tyali's Great Place	Woburn Village	-	-	The Presidency Sundial	Woburn Village	-	-	Nontetha's Grave	Middledrift	-	-	Monument	Adelaide	35 000	35 000	Monument	Bedford	35 000	35 000	Total		70 000	70 000
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RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
11 INTANGIBLE ASSETS		
Intangible Assets - Carrying Value	-	1 187
Opening Balance	1 187	12 893
Amortisation for the year	(1 187)	(11 707)
Closing Carrying Value	-	1 187
Cost	62 468	62 468
Accumulated Depreciation	(62 468)	(61 281)

Intangible Assets consist only out of software and licenses

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

12 LONG-TERM LIABILITIES

Finance Lease Liabilities	8 504 354	331 172
Sub-Total	8 504 354	331 172
Less: Current portion of Long-term Liabilities	2 350 043	278 796
Finance Lease Liabilities	2 350 043	278 796
Total	6 154 311	52 376
Balance Previously Reported		-
Prior Period Adjustment - Refer to note 45.4		52 376
Restated Balance on 30 June 2018		52 376

Long Term Liabilities were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

12 LONG-TERM LIABILITIES (CONTINUED)

Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	Aloe XEROX - 14 Xerox Machines	Redeemed	30/Jun/18
2	Aloe XEROX - 2 Xerox Machines	18.84%	23/Mar/19
3	Konica Minolta - Bizhub 282 Digital Copier	Redeemed	30/Sep/18
4	Aloe Office - 17 Laptops	30.65%	31/Mar/20
5	Aloe Office - 65 Xerox Machines	16.54%	31/Aug/20
6	Absa Vehicle Management Solutions - 14 Vehicles	28.32%	28/Aug/21

After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to the supplier the contract is cancelled. Assets relating to redeemed contract were still in possession of municipality on 30 June 2019.

Assets and liabilities associated with finance lease contracts:

Nr	Carrying Value of Asset 30 JUNE 2019 R	Carrying Value of Asset 30 JUNE 2018 R	Carrying Value of Liability 30 JUNE 2019 R	Carrying Value of Liability 30 JUNE 2018 R
1	-	2 496	-	-
2	-	191 209	-	207 271
3	-	11 440	-	17 846
4	182 944	96 465	52 377	106 055
5	2 344 606	-	1 520 703	-
6	7 565 168	-	6 931 274	-
	10 092 718	301 610	8 504 354	331 172

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 9.1.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
12	LONG-TERM LIABILITIES (CONTINUED)		
	Finance Lease Liabilities are payable as follows:		
	Payable within one year	4 352 891	319 337
	Payable within two to five years	7 930 959	59 290
	Total amount payable	12 283 851	378 628
	Less: Outstanding Future Finance Charges	(3 779 496)	(47 455)
	Present value of finance lease liabilities	8 504 354	331 172
13	CONSUMER DEPOSITS		
	Electricity	2 379 437	2 173 688
	Total	2 379 437	2 173 688
	The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.		
14	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	201 663 035	147 684 911
	Balance Previously Reported		140 863 287
	Prior Period Adjustment - Refer to note 45.6		8 003 331
	Debtors with credit balances	5 165 718	8 936 039
	Unidentified Deposits	15 871 208	18 848 614
	Sundry Creditors	4 803 830	1 241 126
	Total	227 503 790	176 710 689
	Payables are being recognised net of any discounts received		
	As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.		
	Payables are not secured.		
15	UNSPENT CONDITIONAL GOVERNMENT GRANTS		
	National Government	1 923	-
	Provincial Government	2 731 038	957 620
	Total	2 732 961	957 620

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
15	UNSPENT CONDITIONAL GOVERNMENT GRANTS		
	Detail reconciliations of all grants received and grant conditions met are included in note . Unspent grant balances are recognised to the extent that conditions are not yet met.		
	Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.		
16	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits	626 167	519 128
	Current Portion of Long-Service Provisions	539 217	1 087 791
	Bonuses	2 732 705	2 605 007
	Staff Leave	10 866 298	10 005 912
	Total	14 764 387	14 217 838
	The movement in current employee benefits are reconciled as follows:		
	<u>Bonuses</u>		
	Opening Balance	2 605 007	2 458 662
	Contribution during the year	6 344 523	6 253 480
	Payments made	(6 216 825)	(6 107 136)
	Closing Balance	2 732 705	2 605 007
	Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at period end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
	<u>Staff Leave</u>		
	Opening Balance	10 005 912	9 195 677
	Contribution during the year	1 724 162	2 008 029
	Payments made	(863 777)	(1 197 795)
	Closing Balance	10 866 298	10 005 912

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
16 CURRENT EMPLOYEE BENEFITS		
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.		
17 PROVISIONS		
Current Portion of Rehabilitation Provision - Landfill Sites	10 605 876	9 711 769
Total	10 605 876	9 711 769
Refer to note 19 for more detail relating to the provision.		
18 EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	23 943 164	28 756 773
Long Service Awards	7 498 477	6 933 890
Sub-Total	31 441 641	35 690 663
Less: Current portion of Employee Benefits	1 165 384	1 606 919
Post Retirement Medical Benefits	626 167	519 128
Long Service Awards	539 217	1 087 791
Total	30 276 257	34 083 744
18.1 Post Retirement Medical Benefits		
The movement in Post Retirement Medical Benefits are reconciled as follows:		
Opening Balance	28 756 773	28 101 492
Contribution during the year	4 809 076	4 819 373
Current Service Cost	2 032 861	2 059 668
Interest Cost	2 776 215	2 759 705
Payments made	(670 010)	(650 742)
Actuarial Gain	(8 952 675)	(3 513 350)
Total balance at year-end	23 943 164	28 756 773
Less Current Portion	626 167	519 128
Total	23 316 997	28 237 645

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

18 EMPLOYEE BENEFITS (CONTINUED)

	30 JUNE 2019	30 JUNE 2018
In-service members	178	206
Continuation members	15	14
Total	193	220

	30 JUNE 2019 R	30 JUNE 2018 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	16 828 356	22 301 865
Continuation members	7 114 808	6 454 908
Total Unfunded Liability	23 943 164	28 756 773

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	30 JUNE 2017 R
In-service members	22 626 444
Continuation members	5 475 048
Total Unfunded Liability	28 101 492

Experience adjustments were calculated as follows:

	30 JUNE 2019 R m	30 JUNE 2018 R m
Liabilities: (Gain)/Loss	(6.165)	(1.065)
Assets: Gain/(Loss)	-	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

18 EMPLOYEE BENEFITS (CONTINUED)

30 JUNE 2019

30 JUNE 2018

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	9.58%	9.74%
Health Care Cost Inflation Rate	7.00%	7.49%
Net Effective Discount Rate	2.41%	2.09%
Maximum Subsidy Inflation Rate	4.88%	5.24%
Net-of-maximum-subsidy-inflation discount rate	4.49%	4.27%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

Mortality Rates

The PA 90 ultimate table, rated down by 1 (2018 - 2) year of age was used by the actuaries.

Average Retirement Age

It has been assumed that in-service members will retire at age 62 (2018 - 63), which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 8 August 2019.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	16.828	7.115	23.943	
Health care inflation				
+ 1%	20.135	7.847	27.982	17%
- 1%	14.092	6.489	20.581	-14%
Discount rate				
+ 1%	14.035	6.508	20.543	-14%
- 1%	20.446	7.836	28.282	18%
Post-retirement mortality				
- 1 year	17.304	7.375	24.679	3%
Average retirement age				
- 1 year	18.525	7.115	25.640	7%
Continuation of membership at retirement				
- 10%	14.691	7.115	21.806	-9%

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

18 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.502	2.264	3.767	
Health care inflation				
+ 1%	1.836	2.651	4.488	0%
- 1%	1.229	1.943	3.171	0%
Discount rate				
+ 1%	1.238	2.141	3.379	0%
- 1%	1.849	2.400	4.249	0%
Post-retirement mortality				
- 1 year	1.544	2.335	3.879	0%
Average retirement age				
- 1 year	1.577	2.427	4.004	0%
Continuation of membership at retirement				
- 10%	1.316	2.060	3.376	0%

18.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

	30 JUNE 2019 R	30 JUNE 2018 R
Opening Balance	6 933 890	6 196 501
Contribution during the year	1 216 017	1 158 146
Current Service Cost	675 131	675 536
Interest Cost	540 886	482 610
Payments made	(561 998)	(433 484)
Actuarial Loss/(Gain)	(89 432)	12 727
Total balance at year-end	7 498 477	6 933 890
Less Current Portion	539 217	1 087 791
Total	6 959 260	5 846 099

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

18 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	30 JUNE 2019	30 JUNE 2018
In-service members	<u>323</u>	<u>337</u>

The liability in respect of past service has been estimated to be as follows:

	30 JUNE 2019 R	30 JUNE 2018 R
In-service members	7 498 477	6 933 890
Total Unfunded Liability	<u>7 498 477</u>	<u>6 933 890</u>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	30 JUNE 2017 R
In-service members	6 196 501
Total Unfunded Liability	<u>6 196 501</u>

Experience adjustments were calculated as follows:

	30 JUNE 2019 R m	30 JUNE 2018 R m
Liabilities: (Gain)/Loss	0.259	0.505
Assets: Gain/(Loss)	-	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	8.10%	8.45%
General Salary Inflation (long-term)	5.53%	6.08%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.44%	2.23%

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

18 EMPLOYEE BENEFITS (CONTINUED)

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

Last Valuation

The last valuation was performed on 8 August 2019.

Average Retirement Age

It has been assumed that in-service members will retire at age 62 (2018 - 63), which then implicitly allows for expected rates of early and ill-health retirement.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	7.498	
General salary inflation		
+ 1%	7.966	6%
- 1%	7.074	-6%
Discount rate		
+ 1%	7.056	-6%
- 1%	7.994	7%
Average retirement age		
- 2 years	6.773	-10%
+ 2 years	8.201	9%
Withdrawal rates		
- 50%	8.572	14%

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

18 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	0.787	0.586	1.373	
General salary inflation				
+ 1%	0.844	0.624	1.468	7%
- 1%	0.735	0.552	1.287	-6%
Discount rate				
+ 1%	0.740	0.618	1.358	-1%
- 1%	0.839	0.549	1.388	1%
Average retirement age				
- 2 years	0.725	0.528	1.253	-9%
+ 2 years	0.840	0.642	1.482	8%
Withdrawal rates				
- 50%	0.928	0.673	1.601	17%

18.3 Other Pension Benefits

	30 JUNE 2019 R	30 JUNE 2018 R
Defined Benefit Plans		
Council contributes to the following defined benefit plans:		
LA Retirement Fund (former Cape Joint Pension Fund)	9 468 919	8 989 521
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund is in a sound financial position with a funding level of 103.7% (30 June 2017 - 102.6%).		
Total	9 468 919	8 989 521

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

18 EMPLOYEE BENEFITS (CONTINUED)

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Pension Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	30 JUNE 2019 R	30 JUNE 2018 R
Defined Benefit Plans		
Council contributes to the following defined benefit plans:		
Government Employees Pension Fund	21 577	19 122
SALA Pension Fund	1 620 734	479 190
SAMWU National Provident Fund	1 611 519	1 626 789
Municipal Workers Fund	388 600	355 881
Total	3 642 430	2 480 982

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

19 NON-CURRENT PROVISIONS

Rehabilitation Provision - Landfill Sites	32 132 688	29 451 419
Total	32 132 688	29 451 419

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
19 NON-CURRENT PROVISIONS (CONTINUED)		
The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:		
Opening Balance	39 163 188	36 173 302
Contribution during the year	3 575 377	2 989 885
Additions	1 973 077	1 959 298
Disposals	-	(68 797)
Interest Cost	1 602 300	1 099 385
Total balance at year-end	42 738 565	39 163 188
Less Current Portion	10 605 876	9 711 769
Total	32 132 688	29 451 419

The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

The total obligation at period-end can be attributed to the following sites:

Site	Expected Closure Date		
Alice	2050	16 520 559	14 950 218
Middledrift	2100	4 627 612	4 339 678
Seymour	2028	4 018 093	3 795 027
Adelaide	2018	10 605 876	9 711 769
Bedford	2021	6 966 425	6 366 496
Total		42 738 565	39 163 188

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 4.09% (2018 - 3.04%) during the year under review.

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019	30 JUNE 2018
19	NON-CURRENT PROVISIONS (CONTINUED)		
	The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m ²):		
	Alice	31 524	31 524
	Middledrift	4 836	4 836
	Seymour	3 317	3 317
	Adelaide	20 553	20 553
	Bedford	14 477	14 477
	The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m ²):		
	Alice	524	474
	Middledrift	957	897
	Seymour	1 211	1 144
	Adelaide	516	473
	Bedford	481	440
		30 JUNE 2019	30 JUNE 2018
		R	R
20	COMMUNITY WEALTH		
	Accumulated Surplus	433 379 802	424 616 012
	Total	433 379 802	424 616 012
21	PROPERTY RATES		
	Total Property Rates	73 734 664	59 860 398
	Total	73 734 664	59 860 398
	Property rate levied are based on the following rateable valuations:		
	Agricultural	1 302 058 300	1 309 863 000
	Business & Commercial	932 529 654	912 219 800
	Churches	64 629 400	63 679 700
	Government	2 062 945 375	2 061 072 300
	Municipal	15 440 800	15 478 800
	Public Benefit Organisations	486 900	486 900
	Public Service Infrastructure	17 703 650	17 653 650
	Residential	1 641 192 900	1 626 920 600
	Vacant Land	55 924 200	58 489 200
	Total Valuation	6 092 911 179	6 065 863 950

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

21 PROPERTY RATES (CONTINUED)

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014 (at former municipalities)

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

The following rates are applicable to the valuations above:

	30 JUNE 2019	30 JUNE 2018
Agriculture	0.008374 c / R	0.007980 c / R
Privately Owned Town	0.008374 c / R	0.005925 c / R
Business and Commercial	0.017250 c / R	0.016274 c / R
Churches/Place of Public Worship	Exempt	Exempt
Government	0.025122 c / R	0.023700 c / R
Guest House/Hotel	0.017250 c / R	0.016274 c / R
Industrial	0.017250 c / R	0.016274 c / R
	0.0083 to 0.0101	0.0079 to 0.0095
Properties used for multi purpose	c / R	c / R
Education	0.025122 c / R	0.023700 c / R
Public Benefit Organization	Exempt	Exempt
Public service infrastructure	0.002094 c / R	0.001975 c / R
Residential/Small holding	0.008374 c / R	0.007900 c / R
Rural communal land	0.025122 c / R	0.023700 c / R
Vacant land - residential	0.01060 c / R	0.0100 c / R
Vacant land - commercial	0.01325 c / R	0.0125 c / R
Sectional Title	0.006699 c / R	0.007110 c / R
Municipal properties	Exempt	Exempt
Privately Owned Town (Open space)	0.00084 c / R	0.00079 c / R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

22

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants - National Government

Equitable Share

Conditional Grants - National Government

Municipal Finance Management Grant

Municipal Infrastructure Grant

Municipal Systems Improvement Grant

Integrated National Electrification Programme (INEP)

Expanded Public Works Program

Municipal Demarcation and Transition Grant

National Treasury Audit Fees Grant 1%

LG-SETA

Conditional Grants - Provincial Government

COGTA Merger Assistance Grant

COGTA Audit Readiness

Office of the Premier

Library Grant

DDEAT - Mining Projects

Total

Disclosed as:

Government Grants and Subsidies - Capital

Government Grants and Subsidies - Operating

Total

Grants per Vote (MFMA Sec 123 (c)):

Equitable share

Budget and Treasury Office

Community Services

Technical Services

Total

30 JUNE 2019

R

30 JUNE 2018

R

156 192 000

149 375 000

156 192 000

149 375 000

51 472 935

82 467 584

3 870 000

3 800 000

38 486 000

41 160 590

1 055 000

-

1 398 077

4 999 828

1 752 000

1 662 000

-

4 566 147

4 524 980

26 228 251

386 878

50 767

58 051 611

29 816 502

-

3 966 977

-

576 700

56 288 611

23 702 825

1 570 000

1 570 000

193 000

-

265 716 547

261 659 085

95 181 788

68 209 325

170 534 759

193 449 761

265 716 547

261 659 085

156 192 000

149 375 000

9 836 858

39 188 843

1 570 000

1 570 000

98 117 688

71 525 243

265 716 547

261 659 085

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
The movements per grant can be summarised as follows:		
22.01 Equitable Share		
Grants Received	156 192 000	149 375 000
Transferred to Revenue - Operating	(156 192 000)	(149 375 000)
Closing Unspent Balance	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
22.02 Municipal Finance Management Grant		
Grants Received	3 870 000	3 800 000
Transferred to Revenue - Operating	(3 870 000)	(3 800 000)
Closing Unspent Balance	-	-
To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		
22.03 LG-SETA		
Grants Received	386 878	50 767
Transferred to Revenue - Operating	(386 878)	(50 767)
Closing Unspent Balance	-	-
The LG SETA Grant is utilised to cover expenditure relating to training.		
22.04 Municipal Systems Improvement Grant		
Grants Received	1 055 000	-
Transferred to Revenue - Operating	(1 055 000)	-
Closing Unspent Balance	-	-
To assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
22.05 Municipal Infrastructure Grant		
Grants Received	38 486 000	44 877 000
Transferred to Revenue - Capital	(37 302 099)	(39 506 672)
Transferred to Revenue - Operating	(1 183 901)	(1 653 918)
Transfer to/(from) Receivables	-	(3 716 410)
	<hr/>	<hr/>
Closing Unspent Balance	-	-
	<hr/>	<hr/>
The Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.		
22.06 Integrated National Electrification Programme (INEP)		
Opening Balance	-	1 547 828
Grants Received	1 400 000	5 000 000
Transferred to Revenue - Capital	(1 398 077)	(4 999 828)
Adjusted by National Treasury	-	(1 548 000)
	<hr/>	<hr/>
Closing Unspent Balance	1 923	-
	<hr/>	<hr/>
The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
22.07 Expanded Public Works Program		
Grants Received	1 752 000	1 662 000
Transferred to Revenue - Operating	(1 752 000)	(1 662 000)
	<hr/>	<hr/>
Closing Unspent Balance	-	-
	<hr/>	<hr/>
To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
22.08 Municipal Demarcation and Transition Grant		
Opening Balance	-	147
Grants Received	-	4 566 000
Transferred to Revenue - Operating	-	(4 566 147)
Closing Unspent Balance	-	-
To assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.		
22.09 National Treasury Audit Fees Grant		
Grants Received	4 524 980	26 228 251
Transferred to Revenue - Operating	(4 524 980)	(26 228 251)
Closing Unspent Balance	-	-
This grant is received from National Treasury to assist municipalities with their outstanding audit fees payable to the Auditor General of South Africa.		
22.10 Library Grant		
Grants Received	1 570 000	1 570 000
Transferred to Revenue - Operating	(1 570 000)	(1 570 000)
Closing Unspent Balance	-	-
To provide the municipality with finance for the operation and administration of Community Libraries.		
22.11 COGTA Assistance		
Opening Balance	-	966 977
Grants Received	-	3 576 700
Transferred to Revenue - Operating	-	(4 543 677)
Closing Unspent Balance	-	-
The grant includes both funds for Merger assistance as well as Audit Readiness Assistance. The Merger Assistance grant is allocated to municipalities affected by mergers as a result of municipal boundaries that were re-determined effectively from 6 August 2016.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
22.12 Office of the Premier		
Grants Received	57 985 030	23 702 825
Transferred to Revenue - Capital	(56 288 611)	(23 702 825)
Closing Unspent Balance	1 696 419	-
This grant is allocated to municipalities directly from the Office of the Premier. The fund were utilised in two projects namely the Alice Revitalisation Project and the Green Energy Farming Project.		
22.13 Other Provincial Allocations		
Opening Balance	957 620	957 620
Grants Received	270 000	-
Transferred to Revenue - Capital	(193 000)	-
Closing Unspent Balance	1 034 620	957 620
Other Provincial Allocations includes the following grants:		
- DDEAT Mining		
- Quarry Mining Grant		
- ECDLGTA - Greening and Beautification		
- LSDF - Middledrift Spatial Development Framework		
22.14 Total Grants		
Opening Balance	957 620	3 472 571
Grants Received	267 491 888	264 408 543
Transferred to Revenue - Capital	(95 181 788)	(68 209 325)
Transferred to Revenue - Operating	(170 534 759)	(193 449 761)
Adjusted by National Treasury	-	(1 548 000)
Transfer to/(from) Receivables	-	(3 716 410)
Closing Unspent Balance	2 732 961	957 620
23 PUBLIC CONTRIBUTIONS AND DONATIONS		
COGTA	-	11 361 000
Total	-	11 361 000

COGTA contributed R 11 361 000 during 2017/18 towards the outstanding Eskom liability of the municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
24	FINES		
	Traffic Fines	82 650	89 050
	Total	82 650	89 050
25	ACTUARIAL GAINS		
	Long Service Awards	89 432	-
	Post Retirement Medical Benefits	8 952 675	3 513 350
	Total	9 042 106	3 513 350
26	FAIR VALUE ADJUSTMENTS		
	Investment Property	2 347 730	2 280 800
	Total	2 347 730	2 280 800
27	SERVICE CHARGES		
	Electricity Revenue	66 368 730	57 798 071
	Refuse Removal Revenue	19 805 940	19 098 567
	Total Revenue	86 174 669	76 896 638
	Less: Rebates	(5 881 545)	(3 767 800)
	Refuse Removal Revenue	(5 881 545)	(3 767 800)
	Total	80 293 124	73 128 838
	Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		
28	RENTAL OF FACILITIES AND EQUIPMENT		
	Hall Rental	139 081	398 923
	Municipal Houses	62 393	63 750
	Equipment	16 173	6 099
	Properties	92 557	92 907
	Billboards	24 748	33 108
	Total	334 952	594 786
29	INTEREST EARNED - EXTERNAL INVESTMENTS		
	Short-Term Investments and Current Accounts	2 682 968	2 722 211
	Total	2 682 968	2 722 211

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
30	INTEREST EARNED - OUTSTANDING DEBTORS		
	Interest Earned - Service Debtors	7 852 938	8 950 189
	Interest Earned - Penalty Interest on Property Rates	16 034 317	12 487 016
	Total	23 887 256	21 437 205
31	LICENCES AND PERMITS		
	Learners and Drivers Testing	4 391 828	3 516 632
	Total	4 391 828	3 516 632
32	OTHER INCOME		
	Connections - Electricity	86 660	131 550
	Building Plan Fees	149 273	242 023
	Burial and Cemetery fees	39 380	159 089
	Commission Received	190 901	54 012
	Discount Received	886 513	-
	Tender Deposits	60 261	61 999
	Valuation Certificates	43 161	36 380
	Unknown Receipts Recognised as Revenue	4 680 742	1 446 927
	Sundry Income	787 669	173 400
	Total	6 924 560	2 305 380
	Sundry income represents a wide range of revenue items which is not considered material to warrant separate disclosure in the financial statements.		
33	EMPLOYEE RELATED COSTS		
	Basic Salaries and Wages	104 140 774	93 811 898
	Pension and UIF Contributions	13 958 283	13 600 047
	Medical Aid Contributions	5 644 822	5 376 584
	Overtime	5 495 847	5 007 186
	Annual Bonus	6 344 523	6 253 480
	Motor Vehicle Allowance	5 371 113	4 342 882
	Housing Allowances	591 021	858 237
	Other benefits and allowances	3 344 175	3 047 765
	Payments in lieu of leave	1 724 162	2 008 029
	Long service awards	675 131	675 536
	Post Retirement Medical Benefits	2 032 861	2 059 668
	Total	149 322 711	137 041 312

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
33 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of Key Personnel		
All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:		
Remuneration of the Municipal Manager		
Basic Salary	856 121	768 129
Pension and UIF Contributions	1 785	1 785
Motor Vehicle Allowance	526 217	495 470
Other benefits and allowances	105	99
Total	1 384 228	1 265 483
Remuneration of the Chief Financial Officer		
Basic Salary	807 820	744 979
Acting Allowance	-	2 456
Pension and UIF Contributions	1 785	1 785
Motor Vehicle Allowance	54 259	51 777
Housing Allowances	216 995	207 014
Cellphone Allowance	54 259	51 777
Other benefits and allowances	105	99
Total	1 135 222	1 059 888
Remuneration of the Technical Services Manager		
Basic Salary	-	54 723
Pension and UIF Contributions	-	191
Motor Vehicle Allowance	-	16 838
Housing Allowances	-	12 621
Cellphone Allowance	-	4 210
Payments in lieu of leave	-	193 975
Other benefits and allowances	-	8
Total	-	282 566
The Technical Services position was vacant from 1 August 2017 and is yet to be filled with a permanent appointment		
Remuneration of the Acting Technical Services Manager		
Acting Allowance	128 679	-
Total	128 679	-

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
33 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of the Corporate Services Manager		
Basic Salary	129 617	646 582
Pension and UIF Contributions	446	1 785
Medical Aid Contributions	14 144	82 844
Motor Vehicle Allowance	19 448	113 910
Housing Allowances	24 736	144 882
Cellphone Allowance	12 376	72 488
Payments in lieu of leave	-	203 675
Other benefits and allowances	-	99
Total	200 767	1 266 263
The Corporate Services Manager position was vacant from 1 September 2018 and is yet to be filled with a permanent appointment		
Remuneration of the Acting Corporate Services Manager		
Acting Allowance	16 383	-
Total	16 383	-
Remuneration of the Strategic and LED Manager		
Basic Salary	508 110	-
Pension and UIF Contributions	1 041	-
Motor Vehicle Allowance	160 794	-
Other benefits and allowances	61	-
Total	670 007	-
Remuneration of the Community Services Manager		
Basic Salary	411 634	166 950
Pension and UIF Contributions	1 041	526
Motor Vehicle Allowance	160 794	-
Housing Allowances	96 477	-
Payments in lieu of leave	-	55 943
Other benefits and allowances	61	-
Total	670 007	223 418
Remuneration of the Acting Community Services Manager		
Acting Allowance	22 680	36 481
Total	22 680	36 481

The Community Services position was vacant from 1 October 2017 and was filled with a permanent appointment from 1 December 2018.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019	30 JUNE 2018
		R	R
34	REMUNERATION OF COUNCILLORS		
	Councillor Allowance	15 806 460	15 197 281
	Cell Phone Allowance	1 922 369	1 376 547
	Total	17 728 829	16 573 828
	Mayor	884 350	836 728
	Speaker	746 413	694 642
	Chief Whip	688 303	572 567
	Executive Committee Members	3 341 834	3 793 014
	Councillors	11 678 929	10 352 876
	Traditional Leaders	389 000	324 000
	Total	17 728 829	16 573 828
	In-kind Benefits		
	The Executive Mayor, Speaker and Executive committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
35	DEBT IMPAIRMENT		
	Receivables from exchange transactions	24 422 421	14 155 014
	Receivables from non-exchange transactions	37 414 230	13 373 540
	Total	61 836 651	27 528 554
36	DEPRECIATION AND AMORTISATION		
	Property, Plant and Equipment	27 519 038	28 007 532
	Intangible Assets	1 187	11 707
	Property, Plant and Equipment - Capitalised Restoration Cost	725 311	1 287 949
	Sub-Total	28 245 536	29 307 188
	Less: Capitalised to Property Plant and Equipment	(294 824)	(476 614)
	Total	27 950 712	28 830 574
37	IMPAIRMENTS		
	Property, Plant and Equipment - Capitalised Restoration Cost	496 766	891 532
	Total	496 766	891 532

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
38	ACTUARIAL LOSSES		
	Long Service Awards	-	12 727
	Total	-	12 727
39	REPAIRS AND MAINTENANCE		
	<p>The Accounting Standards Board (ASB) issued a FAQ during the prior year which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by it's nature. Accordingly, repairs and maintenance are now included in the relevant line item based on nature.</p> <p>However, In line with the requirements of GRAP 17, the repairs and maintenance related expenditure identified by the municipality can still be attributed to the following asset classes:</p>		
	Furniture, Office Equipment and Tools	466 781	465 485
	Buildings and Commonage	574 940	761 085
	Plant, Machinery and Vehicles	2 266 291	1 337 209
	Infrastructure: Roads and Stormwater	246 837	152 321
	Infrastructure: Electricity	16 444 688	5 537 935
	Total	19 999 536	8 254 036
40	FINANCE CHARGES		
	Finance Lease Liabilities	1 969 781	129 830
	Post Retirement Medical Benefits	2 776 215	2 759 705
	Long Service Awards	540 886	482 610
	Rehabilitation Provision - Landfill Sites	1 602 300	1 099 385
	Creditors	14 694 064	11 530 382
	Total	21 583 246	16 001 912
41	BULK PURCHASES		
	Electricity	59 305 079	63 870 551
	Total	59 305 079	63 870 551
42	TRANSFERS AND GRANTS		
	Indigent Subsidy (Eskom Consumers)	5 244 695	4 375 474
	Indigent Subsidy (Paraffin Hampers)	135 000	187 881
	Raymond Mhlaba Economic Development Agency (RMEDA)	2 573 351	3 014 628
	Total	7 953 046	7 577 983

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019	30 JUNE 2018
	R	R
43 OTHER EXPENDITURE		
Advertising	390 335	468 644
Audit Committee Allowances	325 569	199 730
Audit fees	5 431 109	6 964 564
Bank Charges	373 201	665 492
Commissions Paid	812 385	372 142
Consumables	194 759	467 226
Entertainment costs	195 201	193 104
Employee Wellness	244 221	336 727
Events	130 071	302 731
Fuel and Oil	3 944 036	3 874 634
Insurance	1 376 880	1 351 303
Job creation projects	4 147 594	2 041 977
Legal fees	3 942 356	3 715 138
License fees - Vehicles	273 957	372 192
Maintenance Materials and Small Tools	19 999 536	8 254 036
Operating Grant Expenditure	6 466 294	14 081 794
Financial Management Grant (FMG)	5 218 294	3 545 835
Municipal Systems Improvement Grant (MSIG)	1 055 000	-
Integrated National Electrification Program (INEP)	-	932 487
Merger Assistance (NT and PT)	-	8 992 622
Coghta Audit Readiness	-	577 000
Other Projects	193 000	33 850
Postage and Courier	82 468	96 496
Printing & Stationery	364 535	652 436
Professional & Consultancy Fees	29 776 253	12 504 233
Protective Clothing	322 825	738 608
Rental of Equipment	2 215 962	3 631 031
Refuse Removal	2 431 179	3 194 123
Refuse Bags	100 064	148 800
Security Services	826 254	274 622
Service Charges	5 095 771	3 507 118
Special Programmes	3 248 597	2 275 315
Stock losses	-	38 525
Subscriptions and Membership Fees	1 877 420	1 692 988
Subsistence & Travel	2 009 921	1 258 047
Telephone Cost	5 672 945	4 410 150
Training	362 269	866 851
Tourism Development	562 435	861 239
Valuation Costs	4 515 188	1 580 394
Ward Committees	3 821 599	3 074 847
General Expenses	2 136 789	3 585 163
Total	113 669 980	88 052 421

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
44	LOSS ON DISPOSAL OF ASSETS		
	Movable Assets	29 187	110 547
	Investment Property	798 386	2 569 000
	Total	827 573	2 679 547
45	PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3		
	45.1 RECEIVABLES FROM EXCHANGE TRANSACTION		
	Balance Previously Reported		19 267 502
	Account for auction funds raised previously not accounted for during 2017/18 - Refer to note 45.7		422 759
	Restated Balance on 30 June 2018		19 690 261
	45.2 VAT RECEIVABLE		
	Balance Previously Reported		13 003 915
	Account for unrecorded accruals on 30 June 2018 - Refer to note 45.6		856 309
	Reversal of invalid accruals raised on 30 June 2018 - Refer to note 45.6		(112 698)
	Restated Balance on 30 June 2018		13 747 526
	45.3 PROPERTY PLANT AND EQUIPMENT		
	Balance Previously Reported		560 524 572
	Account for unrecorded accruals on 30 June 2018 - Refer to note 45.6		3 810 497
	Recognise Finance Lease Liability previously not recorded on 30 June 2017 - Refer to note 45.4		157 823
	Account for movable asset incorrectly included/excluded from records on 30 June 2017		285 611
	Effect on Other Assets (Cost) - Refer to note 45.4		400 315
	Effect on Other Assets (Accumulated Depreciation on 30 June 2017) - Refer to note 45.4		(90 777)
	Effect on Other Assets (Depreciation 2017/2018) - Refer to note 45.7		(23 926)
	Correction of depreciation incorrectly calculated up to 30 June 2018 on Movable Assets		1 261 344
	Effect on Other Assets (Accumulated Depreciation on 30 June 2017) - Refer to note 45.4		1 388 042
	Effect on Other Assets (Depreciation 2017/2018) - Refer to note 45.7		(126 698)
	Account for Asset Disposals (Vehicles) previously not recognised during 2017/18 - Refer to note 45.7		(127 963)
	Effect on Other Assets (Cost)		(337 972)
	Effect on Other Assets (Accumulated Depreciation on 30 June 2018)		210 008

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

30 JUNE 2018
R

45 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)

Capital costs relating to internally constructed assets previously not capitalised during 2016/2017 - Refer to note 45.4	1 127 641
Capital costs relating to internally constructed assets previously not capitalised during 2017/2018 - Refer to note 45.7	1 046 184
Restated Balance on 30 June 2018	568 085 710

45.4 LONG TERM LIABILITIES

Balance Previously Reported	-
Recognise Finance Lease Liability previously not recorded on 30 June 2017	145 715
Effect on Leased Assets - Refer to note 45.3	157 823
Effect on Accumulated Surplus - Refer to note 45.4	(12 108)
Recognise redemption on Finance Lease Liability previously not recorded during 2017/18 - Refer to note 45.7	(39 661)
Correction of allocation between current and non-current portion of finance lease liability - Refer to note 45.5	(53 678)
Restated Balance on 30 June 2018	52 376

45.5 CURRENT PORTION OF LONG TERM LIABILITIES

Balance Previously Reported	225 118
Correction of allocation between current and non-current portion of finance lease liability - Refer to note 45.4	53 678
Restated Balance on 30 June 2018	278 796

45.6 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance Previously Reported	169 889 065
Account for unrecorded accruals on 30 June 2018	8 003 331
Effect on Property Plant and Equipment - Refer to note 45.3	3 810 497
Effect on Other Expenditure - Refer to note 45.7	3 336 525
Effect on VAT Receivable - Refer to note 45.2	856 309
Reversal of invalid accruals raised on 30 June 2018	(1 181 707)
Effect on Other Expenditure and Employee Related Costs - Refer to note 45.7	(1 069 009)
Effect on VAT Receivable - Refer to note 45.2	(112 698)
Restated Balance on 30 June 2018	176 710 689

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

30 JUNE 2018
R

45 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)

45.4 ACCUMULATED SURPLUS

Balance Previously Reported	422 816 183
Prior Period Adjustments relating to the 2017/2018 financial year - Refer to note 45.7	(1 037 500)
Corrections up to 30 June 2017	2 837 329
Recognise Finance Lease Liability previously not recorded on 30 June 2017 - Refer to note 45.4	12 108
Account for movable asset incorrectly included/excluded from records on 30 June 2017 - Refer to note 45.3	309 538
Correction of depreciation incorrectly calculated up to 30 June 2018 on Movable Assets - Refer to note 45.3	1 388 042
Capital costs relating to internally constructed assets previously not capitalised during 2016/2017 - Refer to note 45.3	1 127 641
Restated Balance on 30 June 2018	424 616 012

45.7 STATEMENT OF FINANCIAL PERFORMANCE

Net Surplus previously reported	54 445 293
Account for unrecorded accruals on 30 June 2018 - Refer to note 45.6	(3 336 525)
Reversal of invalid accruals raised on 30 June 2018 - Refer to note 45.6	1 069 008
Effect on Employee Related Costs	14 682
Effect on Other Expenditure	1 054 326
Recognise redemption on Finance Lease Liability previously not recorded during 2017/18 - Refer to note	39 661
Effect on Finance Charges	(39 393)
Effect on Other Expenditure	79 054
Account for movable asset incorrectly included/excluded from records on 30 June 2017 - Refer to note 45.3	(23 926)
Correction of depreciation incorrectly calculated up to 30 June 2018 on Movable Assets - Refer to note 45.3	(126 698)
Account for Asset Disposals (Vehicles) previously not recognised during 2017/18 (Loss on Disposal) - Refer to note 45.3	(127 963)
Account for auction funds raised previously not accounted for during 2017/18 - Refer to note 45.1	422 759
Capital costs relating to internally constructed assets previously not capitalised during 2017/2018 - Refer to note 45.3	1 046 184
Effect on Depreciation and Amortisation	476 614
Effect on Other Expenditure (Fuel)	569 570
Restated Surplus on 30 June 2018	53 407 793

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
46 NET CASH FROM OPERATING ACTIVITIES		
Net Surplus/(Deficit) for the year	8 763 790	53 407 793
Adjusted for:		
Non-Cash Expenditure	96 031 103	64 323 158
Debt Impairment	61 836 651	27 528 554
Depreciation and Amortisation	27 950 712	28 830 574
Impairments	496 766	891 532
Actuarial Losses	-	12 727
Finance Charges	4 919 401	4 341 700
Stock Losses	-	38 525
Loss on disposal of PPE	827 573	2 679 547
Non-Cash Revenue	(11 389 836)	(5 794 150)
Actuarial Gains	(9 042 106)	(3 513 350)
Fair Value Adjustments	(2 347 730)	(2 280 800)
Contributions - Provisions and Employee Benefits	10 776 677	10 996 714
Post Retirement Medical Benefits	2 032 861	2 059 668
Long Service Awards	675 131	675 536
Bonuses	6 344 523	6 253 480
Staff Leave	1 724 162	2 008 029
Expenditure - Provisions and Employee Benefits	(8 312 610)	(8 389 157)
Post Retirement Medical Benefits	(670 010)	(650 742)
Long Service Awards	(561 998)	(433 484)
Bonuses	(6 216 825)	(6 107 136)
Staff Leave	(863 777)	(1 197 795)
Other adjustments	7 355	(1 540 995)
Grants Returned to National Revenue Fund	-	(1 548 000)
Rental Income Accrued	7 355	7 005
Operating Surplus before changes in working capital	95 876 478	113 003 364
Movement in working capital	(15 137 582)	(36 447 424)
Receivables from exchange and non-exchange transactions	(66 418 999)	(31 758 835)
Inventory	-	561 822
Payables from exchange transactions	50 793 101	(721 057)
Unspent Conditional Government Grants	1 775 342	(966 952)
VAT Receivable	(1 287 026)	(3 562 401)
Cash Flow from Operating Activities	80 738 896	76 555 940

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019	30 JUNE 2018
	R	R
47 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Bank Accounts	10 041 076	17 235 743
Call Deposits	-	4 781
Total	10 041 076	17 240 525

Refer to note 2 for more details relating to cash and cash equivalents.

48 BUDGET COMPARISONS

48.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Actuarial Gains, Assistance in-kind and Other Income.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

48 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

48.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Consumer Debtors	Align balance to audited result of 30 June 2018 taking into account sufficient impairment charges raised against gross receivable.
Current portion of long-term receivables	Align balance to audited result of 30 June 2018.
Investment Property	Align balance to audited result of 30 June 2018.
Property, Plant And Equipment	Align balance to audited result of 30 June 2018 also taking into account proposed adjustments in capital program.
Trade and Other Payables	Align trade and other payables to projected outstanding balance on 30 June 2019.
Borrowing (Non-Current)	Remove balance incorrectly budgeted for during original budget.
Provisions and Employee Benefits (Current and Non-Current)	Align balance to audited result of 30 June 2018.
Accumulated Surplus	Align balance to audited result of 30 June 2018.

Statement of financial position - Budget versus Actual

Cash	Decrease Due to increase in creditors as a result of poor collection
Consumer Debtors	The budget incorporated higher debt impairment than actual results.
Other Debtors	Outstanding VAT receivable did not decrease in line with expectation.
Property, Plant And Equipment	Budget for depreciation relating to GRAP 107 implementation far exceeded actual results.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

48

BUDGET COMPARISONS (CONTINUED)

Trade and Other Payables	Cash flow constraints resulted in trade payables rising above expectation.
Borrowing (Non-Current)	Municipality did not budget for lease liability raised in current year.
Provisions and Employee Benefits	Significant Actuarial Gains not anticipated during the compilation of the budget.
Accumulated Surplus	Variance in line with variance that materialised on net surplus for the year.

Statement of financial performance - Budget Adjustments

Service Charges	Reduce budget in line with expected revenue to be raised.
Other Revenue	Adjust budget using prior year audited actuals as benchmark
Remuneration of councillors	Increased budget in line with expected expenditure to be incurred.
Debt Impairment	Increase budget allocation to incorporate potential non-payment of customers.
Depreciation & Asset Impairment	Align budget in line with prior year expenditure incurred as well as proposed capital program of the municipality, also, taking into account GRAP 107.
Finance charges	Align balance to audited result of 30 June 2018.
Contracted services	This was as a result of mSCOA classification
Other expenditure	Adjust budget to incorporate expenditure trends up to mid-term.
Government Grants and Subsidies - Capital	Align budget to gazetted allocations.

Statement of financial performance - Budget versus Actual

Service Charges	Benefits of smart metering in former Nxuba area not fully incorporated in budget.
Remuneration of councillors	Budgeted figure overstated compared to actual results
Debt Impairment	Provision for non-payment lower than anticipated during the revised budget.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

48 BUDGET COMPARISONS (CONTINUED)

Depreciation & Asset Impairment	Budget for depreciation relating to GRAP 107 implementation far exceeded actual results.
Finance Charges	Interest on arrear payment not fully accounted for in budget. Cash flow constraints contributed.
Bulk Purchases	Distribution losses contributed to budget variance.
Grants and Subsidies Paid	Cash flow constraints resulted in lower than expected grants paid.
Other Expenditure	Savings combined with cash constraints lead to lower than expected expenditure levels.
Government Grants and Subsidies - Capital	OTP not fully spent combined with lower than expected capital grant expenditure

Cash Flow Statement - Budget Adjustments

All Adjustments	Refer to comments reasons included for Statement of Financial Performance and Financial Position.
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Cash Flow Statement - Budget versus Actual

All Adjustments	Refer to comments reasons included for Statement of Financial Performance and Financial Position.
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30 JUNE 2019
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30 JUNE 2018
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49 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

49.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

Opening balance	234 108 580	230 205 209
Unauthorised expenditure current year	-	3 903 371
Approved by Council	-	-
Unauthorised expenditure awaiting approval	234 108 580	234 108 580

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2019 (Actual) R	2019 (Final Budget) R	2019 (Unauthorised) R
Unauthorised expenditure - Operating			
Municipal Council	25 322 684	28 908 374	-
Accounting Officer	25 512 982	37 364 148	-
Budget and Treasury Office	217 536 778	217 702 841	-
Technical Services	130 049 216	130 478 954	-
Community Services	62 252 934	62 553 373	-
Total	460 674 594	477 007 690	-
Unauthorised expenditure - Capital			
Accounting Officer	20 424	40 000	-
Budget and Treasury Office	113 040	2 110 000	-
Technical Services	98 439 712	103 462 000	-
Community Services	11 999	20 000	-
Total	98 585 175	105 632 000	-
		30 JUNE 2019	30 JUNE 2018
		R	R

49.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening balance	42 235 957	29 502 751
Fruitless and wasteful expenditure incurred	16 020 834	12 733 206
Approved by Council	-	-
Fruitless and wasteful expenditure awaiting approval	58 256 792	42 235 957

Details of Fruitless and wasteful expenditure incurred :

Penalties	1 326 770	1 202 824
SARS - PAYE, UIF and SDL	1 326 770	1 202 824
Interest on late payments	14 694 064	11 530 382
SARS - PAYE, UIF and SDL	83 286	292 904
Eskom	14 071 004	10 973 945
Auditor General	539 422	215 157
Other	352	48 377
Total	16 020 834	12 733 206

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

49

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

	30 JUNE 2019 R	30 JUNE 2018 R
49.3 IRREGULAR EXPENDITURE		
Irregular expenditure consist out of the following:		
Opening balance	236 583 693	228 062 126
Irregular expenditure incurred	714 737	8 521 567
Approved by Council	-	-
Irregular expenditure awaiting approval	237 298 430	236 583 693
Details of Irregular expenditure incurred :		
Kwane Fleet (Former Laman Financial Services) - The contract was awarded to the service provider based on application of Sec. 32 of the SCM policies. The awarding was regarded as irregular where the tender was awarded initially, the Auditor-General declared the awarding at former Nkonkobe as irregular as well.	-	429 962
Von Der Deckon - Supplier not registered	16 545	26 495
Gemini Garden - Difference in the size of highmast lights which were originally procured at 25 m but on installation the highmast that were installed were 30m long.	-	235 330
Abenzi Bencwadi - Sub consultant of Sizwe Ntsaluna Gobodo. The contract was awarded to the service provider based on application of Sec. 32 of the SCM policies. The awarding was regarded as irregular where the tender was awarded initially.	-	3 637 521
Non-Compliance with SCM regulations		
- Ahloniphe (Contract Value Exceeded)	-	40 300
- Alfred Myburg	-	446 527
Deviations approved by municipality considered to be irregular expenditure	698 192	3 705 433
Total	714 737	8 521 567

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

49

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

The irregular expenditure will be referred to internal audit and MPAC for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred which will be subject the outcome of the investigation. The accumulated irregular balance mainly relates to the balances carried from the two entities prior to the merger. These were previously not condoned by the former councils of the merging entities, however are under investigation by the Raymond Mhlaba Council.

49.4 MATERIAL LOSSES

Electricity distribution losses

	30 JUNE 2019	30 JUNE 2018
- Units purchased (Kwh)	82 930 352	62 446 072
- Units distributed (Kwh)	44 548 698	37 330 414
- Units lost during distribution (Kwh)	38 381 654	25 115 659
- Units lost considered within norm (10%)	8 293 035	6 244 607
- Units lost in excess of norm	30 088 619	18 871 052
- Percentage lost during distribution	36.28%	30.22%
- Rand Value of Loss	24 990 294	14 122 424

30 JUNE 2019

30 JUNE 2018

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ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

50

50.1 Salga Contributions [MFMA 125 (1)(b)]

Opening balance	5 333 884	4 453 376
Expenditure incurred	1 717 465	1 621 594
Payments	(881 090)	(741 086)
Outstanding Balance	6 170 259	5 333 884

50.2 Audit Fees [MFMA 125 (1)(c)]

Opening balance	3 605 506	21 792 935
Expenditure incurred	6 785 197	8 164 889
Audit Fees	5 431 109	6 964 564
Interest on outstanding audit fees	539 422	215 157
VAT	814 666	985 168
RMEDA Grant	873 351	764 628
National Treasury Rebate	(4 524 980)	(26 228 251)
Settlement Discount	(886 513)	-
Payments	-	(888 695)
Outstanding Balance	5 852 561	3 605 506

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019 R	30 JUNE 2018 R
50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
50.3 VAT [MFMA 125 (1)(c)]		
Opening balance	5 626 164	2 844 624
Amounts received during the year	(17 801 931)	(13 234 781)
Amounts claimed - current year	12 951 547	16 016 321
Outstanding Balance	775 780	5 626 164
Vat in suspense due to cash basis of accounting	14 258 771	8 121 362
VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.		
50.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Opening Balance	3 439 927	282 546
Payments due to SARS	23 875 010	21 612 040
Payments	(23 109 038)	(18 454 658)
Outstanding Balance	4 205 899	3 439 927
50.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
Opening Balance	2 246 839	16 685
Payments due to pension fund and medical aid	28 974 080	21 808 475
Payments	(29 881 723)	(19 578 321)
Outstanding Balance	1 339 196	2 246 839
50.4 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]		
The following Councillors had arrear account outstanding for more than 90 days at year end:		
Councillor SA Nivi	4 885	3 367
Councillor E Bantam	5 587	3 773
Councillor ML Ndongeni	1 715	1 715
Councillor XC Badi	2 502	1 724
Councillor B Ketelo	435	1 717
Councillor TP Njobe	-	5 037
Councillor CA Auld	6 360	1 378
Councillor BE Mfondini	8 968	6 953
Councillor N Blake	5 178	3 345
Councillor LD Penisi	1 532	1 427
Councillor LL Bruintjies	-	8 019
Councillor S Mavuso	7 067	5 035
Outstanding Balance	44 228	43 492

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	30 JUNE 2019	30 JUNE 2018
	R	R
50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		

50.6 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

Deviations from the Supply Chain Management Regulations per Directorate:

Municipal Council	17 020	26 924
Accounting Officer	54 786	25 991
Budget and Treasury Office	29 851	83 340
Corporate Services	1 568 168	976 943
Technical Services	613 367	249 628
Community Services	114 337	25 087
Total	2 397 529	1 387 911

The reasons for the deviations can be summarised as follows:

	Emergency R	Impractical R	Sole Supplier R
Municipal Council	17 020	-	-
Accounting Officer	-	-	54 786
Budget and Treasury Office	-	-	29 851
Corporate Services	455 750	293 909	818 510
Technical Services	335 878	33 275	244 214
Community Services	110 950	-	3 387
Total	919 598	327 184	1 150 748

Deviations from the Supply Chain Management Regulations per Supplier:

	Emergency R	Impractical R	Sole Supplier R
Abahlulwa Projects and Suppliers	32 500	-	-
Actom Pty Ltd	6 858	-	-
Algoa FM	-	-	61 598
Andre's Auto Electrical	-	-	35 052
ARB Electrical Wholesalers	34 086	-	-
Babcock Equipment	3 376	-	68 968
Baffalo Toyota	-	-	4 662
Barloworld Equipment	-	-	151 404
Bazakhe Projects	37 383	-	-

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

	Emergency R	Impractical R	Sole Supplier R
Biztec	-	3 642	-
Buffalo City Lubricants	11 691	-	-
Buffalo Toyota KWT	-	-	1 605
Cangocube Wellness Enterprise	-	-	9 000
Colas SA	-	-	59 432
Conlog (PTY) LTD	-	-	16 635
D& G Electronics	-	4 500	-
Daily Dispatch	-	-	20 675
Datnis Nissan	-	-	20 100
Dewing Service Station	9 188	-	-
East London Truck and Bus	90 360	-	90 361
Eastern Cape Tyres	220 051	-	-
Fleet Dynamics	-	-	36 661
Forte Community Radio	-	-	31 230
H.V Test (PTY) LTD	-	-	12 639
High Voltage Technology	-	-	131 658
Lalazela (Pty)Ltd	17 020	-	-
Lee Gold Music	-	-	17 968
Lionel Trichardt & Associates	55 616	-	-
Magula Erasmus Consulting services	54 627	-	-
Mandla D Holdings	2 900	-	-
Menzotouch	59 090	183 865	-
Mncono Towing and Crane hire PTY LTD	9 600	-	-
Mwelase Trading PTY Ltd	19 250	-	-
Owethu 214 Pty Ltd	193 324	-	-
Patel & Associates	-	-	92 000
Peugair Border CC	3 479	3 479	-
Ronnie Motors East London	-	-	26 994
Season 2 Trading (pty} ltd	59 200	-	-
Sondlo& Knop Adevertising	-	-	7 731
Synchronised Traffic System	-	-	6 774
TFM Manufacturers	-	121 260	79 902
Thesen's Generators	-	4 817	-
Tiso Blackstar Group	-	-	108 850
Winterberg Panelbeaters	-	5 620	-
Work Dynamics	-	-	58 850
Total	919 598	327 184	1 150 748

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

50.7 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

50.8 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44):

	30 JUNE 2019 R	30 JUNE 2018 R
<u>Name (State institution)</u> <u>Supplier name</u>		
None	-	-

During the period under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45):

<u>Name</u>	<u>State institution (Nature of Relationship)</u>		
NC. Melitafa	Rely IT Solution (Husband)	26 399	18 121
N. Ndunyana	Mizana Ndunyana Trading (PTY) LTD (Sister)	29 043	65 166
N. Tom	SJRNGT (PTY) LTD (Mother)	21 950	126 450
N. Tom	Siduli & Jama (Aunt)	222 885	139 635
A Boqwana	Tyume Blocks & Retail CC (Brother)	5 220 785	1 905 654
Total		5 521 062	2 255 026

51 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	30 825 551	34 444 789
This expenditure will be financed from:		
Own Revenue	-	834 616
Municipal Infrastructure Grant	23 258 165	26 837 573
Integrated National Electrification Programme (INEP)	6 772 600	6 772 600
Office of the Premier (OTP)	11 085 039	-
Total	41 115 804	34 444 789

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

52 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

52.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

	30 JUNE 2019 R	30 JUNE 2018 R
Cash and Cash Equivalents	10 041 076	17 240 525
Receivables from exchange transactions	18 771 327	19 690 261
Total	28 812 403	36 930 785

Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

52.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in

The financial instruments of the municipality is not directly exposed to any currency risk.

52.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	30 JUNE 2019 R	30 JUNE 2018 R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	10 041 076	17 240 525
Long-term Liabilities (Including Current Portion)	(8 504 354)	(331 172)
Non-Current Provisions (Including Current Portion)	(42 738 565)	(39 163 188)
Net balance exposed	(41 201 843)	(22 253 836)

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

0.5% increase in interest rates	(206 009)	(111 269)
1% decrease in interest rates	412 018	222 538

South Africa have reached the turning point in the rates cycle and any further upward adjustments are remote.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

30 JUNE 2019

	Within 1 Year	PAYABLE Two to five years	After five years
Finance Lease Liabilities	4 352 891	7 930 959	-
Payables from exchange transactions	206 466 865	-	-
Total	210 819 756	7 930 959	-

30 JUNE 2018

	Within 1 Year	PAYABLE Two to five years	After five years
Finance Lease Liabilities	319 337	59 290	-
Payables from exchange transactions	148 926 037	-	-
Total	149 245 374	59 290	-

52.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
52	FINANCIAL RISK MANAGEMENT (CONTINUED)		
	<u>Financial Assets</u>		
	Cash and Cash Equivalents	10 041 076	17 240 525
	Receivables from exchange transactions	18 771 327	19 690 261
	Total	28 812 403	36 930 785
	<u>Financial Liabilities</u>		
	Current Portion of Long-term Liabilities	2 350 043	278 796
	Payables from exchange transactions	206 466 865	148 926 037
	Long-term Liabilities	6 154 311	52 376
	Total	214 971 219	149 257 209
53	STATUTORY RECEIVABLES		
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	Receivables from Non-Exchange Transactions		
	Rates	225 395 117	184 806 640
	VAT Receivable	15 034 552	13 747 526
	Total	240 429 668	198 554 166
	Refer to note 4 for more detail relating to the Government Grants and Rates Receivables, including any provision for impairment raised against the gross amounts as disclosed above		
54	EVENTS AFTER REPORTING DATE		
	None		
55	IN-KIND DONATIONS AND ASSISTANCE		
	Refer to assistance received from COHGTA in note 23		
56	PRIVATE PUBLIC PARTNERSHIPS (PPP's)		
	The municipality did not enter into any PPP's in the current and prior year.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
57	CONTINGENT LIABILITIES		
	The municipality were exposed to the following contingent liabilities at year end:		
	<u>Claim 1</u>		
	Prince Queen Marry Trading Enterprise vs Nkonkobe Municipality -The plaintiff instituted legal action against the municipality for money in the sum of R 118 222, which is allegedly due to it in terms of a contract with the municipality. The municipality is appealing the court's judgement against the municipality.	-	300 000
	<u>Claim 2</u>		
	Nomalady vs Nkonkobe Municipality - The plaintiff instituted legal action against the municipality on the basis that she was dismissed unfairly. The matter was set down for hearing on 2 November 2016. The hearing was however postponed and the record was to be translated in English and parties also to consult with the purpose of reaching an out of court settlement. The Attorneys has made a proposal on behalf of Nomalady to settle by giving her three year payment. The matter has been settled.	-	550 000
	<u>Claim 3</u>		
	Litigation in a matter between Nkonkobe Municipality and Mampana. Municipality sued for general damages for injuries sustained in a bridge at Fort Beaufort.	-	50 000
	<u>Claim 4</u>		
	A claim was lodged by the former Municipal Manager of Nxuba Local Municipality, SC Gaca, for payment of alleged severance package after his resignation. The matter is still to be enrolled in the High Court.	500 000	500 000
	<u>Claim 5</u>		
	Summons issued against the Municipality in respect of services rendered and loss of income arising out of tender awarded to the Plaintiff. The matter is still pending in the High Court.	731 739	731 739

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		30 JUNE 2019 R	30 JUNE 2018 R
57	CONTINGENT LIABILITIES (CONTINUED)		
	<u>Claim 6</u>		
	The Amathole Forestry Company (Pty) Ltd took the municipality to court as there were insufficient fire resources (In particular a fire truck) which posed a high fire risk to the forestry. The claimant wants to recover costs from the municipality relating to legal costs incurred in the matter. The claim will be opposed.	3 000 000	-
	Total	4 231 739	2 131 739
58	CONTINGENT ASSETS		
	The municipality identified the following contingent assets at year-end:		
	The municipality successfully obtained a interdict order to restrain its workers from engaging in an unprotected SAMWU strike in December 2015. The attorneys confirmed that the court has issued the final order and the attorneys are in the process of recovering the cost. The inflow of funds is now considered to be possible	100 000	100 000
59	RELATED PARTIES		
	Related parties are defined in note 1.34		
	All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.		
	There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
	Remuneration of related parties are disclosed in notes 33 and 34		
	The municipality owns a 100% stake in the Nkonkobe Economic Development Agency and the Raymond Mhlaba Economic Development Agency. The Municipality provides grants to these agencies to assist with the operations of the entity as well as to settle the audit fees payable to the Auditor General.		
	On 1 July 2017, all assets and liabilities of Nkonkobe Economic Development Agency Ltd was transferred to Raymond Mhlaba Economic Development Agency (SoC) Ltd as a going concern. The transfer of the assets and liabilities were treated in accordance with GRAP 105 - "Transfer of functions between Entities under common control". Accordingly, the carrying value assets and liabilities were transferred.		
	Refer to note 42 for grants paid during the period under review		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The municipality is experiencing very low payment percentages from consumers which is very indicative of the economic environment in the municipal area.

The municipality experienced material losses in electricity usage to the value of R 24 691 966 (2018 - R 14 122 424) for the year ending 30 June 2018. This represents a distribution loss of 36.28 % (2018 - 30.22 %).

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 49 above.

There are material Contingent Liabilities on each respective reporting period. Refer to note 57 above.

Assessment

The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this municipality have been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.

The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that this municipality can render and it may well raise doubt about the future financial sustainability of this municipality and may cause serious health and other risks regarding service delivery to the communities within the jurisdiction of this municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2019

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2018 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2019 R
<u>FINANCE LEASE LIABILITIES</u>						
Aloe XEROX - 2 different Copier Machines	18.84%	23/Mar/19	207 271	-	(207 271)	-
Bizhub 282 Digital Copier - V041002100	8.58%	30/Sep/18	17 846	-	(17 846)	-
Aloe Office - 17 Laptops	30.65%	31/Mar/20	106 055		(53 678)	52 377
Aloe Office - 65 Xerox Machines	16.54%	31/Aug/20	-	2 441 705	(921 002)	1 520 703
Absa Vehicle Management Solutions - 14 Vehicles	28.32%	28/Aug/21	-	7 565 168	(633 893)	6 931 274
Total Finance Lease Liabilities			331 172	10 006 873	(1 833 691)	8 504 354
Total Long-Term Liabilities			331 172	10 006 873	(1 833 691)	8 504 354

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2019

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R	R	R	R	R
NATIONAL GOVERNMENT					
Equitable Share	-	156 192 000	(156 192 000)	-	-
Municipal Finance Management Grant	-	3 870 000	(3 870 000)	-	-
Municipal Infrastructure Grant	-	38 486 000	(1 183 901)	(37 302 099)	-
Expanded Public Works Program	-	1 752 000	(1 752 000)	-	-
Integrated National Electrification Programme (INEP)	-	1 400 000	-	(1 398 077)	1 923
Municipal Systems Improvement Grant	-	1 055 000	(1 055 000)	-	-
LG-SETA	-	386 878	(386 878)	-	-
National Treasury Audit Fees Grant	-	4 524 980	(4 524 980)	-	-
Total National Government Grants	-	207 666 858	(168 964 759)	(38 700 177)	1 923
PROVINCIAL GOVERNMENT					
Library Grant	-	1 570 000	(1 570 000)	-	-
OTP Alice Revitalisation	-	57 985 030	-	(56 288 611)	1 696 419
DDEAT - Mining Projects	-	270 000	-	(193 000)	77 000
ECDLGTA - Greening and Beautification	707 664	-	-	-	707 664
LSDF - Middledrift Spatial Development	147 392	-	-	-	147 392
Quarry Mining Grant	102 563	-	-	-	102 563
Total Provincial Government Grants	957 620	59 825 030	(1 570 000)	(56 481 611)	2 731 038
ALL SPHERES GOVERNMENT	957 620	267 491 888	(170 534 759)	(95 181 788)	2 732 961